EUROPE'S BUSINESS NEWSPAPER

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Monday November 19 1990

D 8523A

THE HARD ECU

Time running out for UK proposal

Page 20

World News

New censure vote against Rocard likely to be close

France's socialist government must deal with its most serious political crisis since coming to power 2½ years ago with a censure vote in the National Assembly, expected to be the tightest of the nine faced by the Rocard government. Page 20

Bush in Czech aid

A series of trade and investment measures for Czechoslovakia were announced by President George Bush, though he acknowledged that the main assistance would come from the International Monetary Fund and the World Bank. Page 2

Japan LDP poll loss

A candidate representing an alliance of left-wing parties ousted the incumbent Liberal Democratic party (LDP) governor of Okinawa after an election campaign fought largely over the aborted plan to send soldiers overseas. Page 20

Jordan Moslem win

Jordan's religious right scored a victory when the Jordanian parliament elected a member of the Moslem Brotherhood as speaker by an unexpectedly wide margin. Page 3

22 die in Punjab

Sikh extremists killed at least 22 people in Punjab in 24 hours of violence coinciding with an appeal by India's new prime minister for an end to separatist conflict.

Oman plans reforms

Sultan Qaboos of Oman, a key state in the international alliance against Iraq, announced plans for a consultative assembly to be formed within a year, on the 20th anniversary of the day he deposed his father. Page 3

Basque bombing

Two Spanish policemen were killed and three others suffered serious injuries when a bomb, probably planted by separatist guerrillas, went off at Santurce in the Basque region.

Bulgarians protest

More than 120,000 Bulgarians packed central Sofia and called on the embattled Socialist government to resign in the biggest public protest since free elections last June. The protest came as the government prepared a fresh package of austerity measures. Page 2

Shamir territory call

In a speech that could cause renewed friction with his American allies, Israeli Prime Minister Yitzhak Shamir said that Israel should keep the occupied West Bank and Gaza Strip for Jewish immigrants.

New Romanian party

Romania's Communist party, which disappeared after it was ousted from power in last December's revolution, re-emerged under a new name, the Socialist Party of Labour (SPL).

Yugoslavia votes

Voters in Yugoslavia's central republic of Bosnia-Hercegovina went to the polls for the first time in over four decades, to elect a new parliament whose composition could influence the future political map of the country. Page 2

Le Pen goes to Iraq

French extreme rightwing leader Jean-Marie Le Pen, who has backed Iraq in the Gulf crisis, left for Baghdad to seek the release of European hostages, his party said.

Bhutto torture claim

Former Pakistani prime minister Benazir Bhutto charged police with torturing arrested members of her Pakistan People's Party (PPP). She told reporters in Islamabad about 300 PPP members had been arrested on false charges.

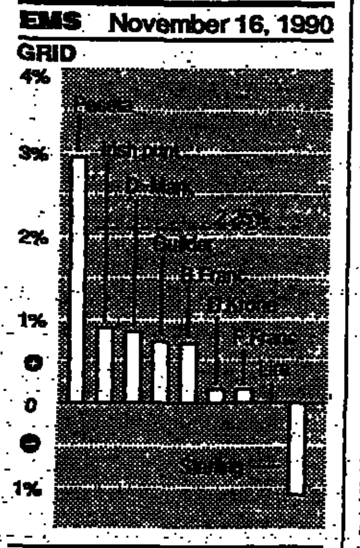
Business Summary

Protection for European steel industry to remain

Sir Leon Brittan, EC competition commissioner, has given up his battle to scrap the Treaty of Paris, under which the European steel industry has enjoyed considerable protection for the past 40 years. Page 20

EUROPEAN Monetary System: Sterling stayed at the bottom of the system last week, but did not come under strong pressure, despite political uncertainty in the UK and weak economic data. The highest placed Spanish peseta eased against the D-Mark on speculation of tighter German monetary policy. Today's vote on a motion of no confidence in the French government weighed against the franc.

EMS November 16, 1990



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the EMS narrow band cannot rise by more than 2.25 per cent from the weakest currency in that part of the system. Sterling and the Spanish peseta operate within 6 per cent fluctuation bands. Currencies, Page 31

EUROPEAN Community officials doubt whether today's meeting of finance ministers will be able to bridge disagreement over a new system for Value Added Tax after 1992. Page 6

BRENT Walker: Jefferson Smurfit, Irish paper group, has emerged as backer of Brent Walker, the financially stretched UK leisure group. Page 21

BRAZIL'S chief debt negotiator, Jorio Dauster, is due to meet creditor banks in New York to outline debt restructuring proposals likely to include payment of some interest arrears. Page 4

JAPAN'S larger trading houses have reported mixed first half results. Page 23

FRANCE'S state-owned electricity board has received clearance from European Commission's state aid authorities to supply cheap power to Exxon Chemicals, US-owned chemicals producer. Page 4

ASEA Brown Boveri, Europe's leading electrical engineering group, reported profits up from $610m to $749m for first nine months of 1990. Page 23

ITALIAN stock exchange: Trading in equities and government securities will be halted at least until second half of week because of a strike by stockbrokers' staff. Page 4

WASA, Swedish insurance company, acquired a 49.9 per cent stake in Bohusbanken for SKr250m ($45.2m). Page 23

UK power: Shares in the 12 regional electricity companies are expected to be sold at a common price of 240p ($4.70) each when terms of privatisation flotation are announced on Wednesday. Page 8

Thatcher defends stance on eve of contest

By Philip Stephens and Alison Smith in London

MRS Margaret Thatcher, the British prime minister, today claims the "overwhelming" support of the British people for her opposition to the imposition of a single European currency.

In an article in the Financial Times on the eve of the most serious challenge to her leadership Mrs Thatcher insists that Britain's future lies in the "mainstream" and "not on the fringes" of the European Community.

She writes that the government will seek to be a "powerful influence" in creating a community based on competition, enterprise, choice and free trade. It will fight the tendencies in the community which move in the direction of "corporatism" and "protectionism".

Mr Michael Heseltine, who is challenging her for the leadership, attacked her handling of what has become known as the 'Westland affair' which led to his resignation as defence secretary in 1986.

Interviewed on television, he accused Mrs Thatcher of misleading the cabinet during the row over the future of the helicopter manufacturer, and said she could not accept collective responsibility in policy towards Europe.

In a television interview he also underlined his pledge to undertake a fundamental review of the local community charge and set out a manifesto designed to attract back into the Conservative fold many of the less affluent voters who had switched to the opposition parties during the past two years.

Last night Mrs Thatcher's supporters were claiming that enough of the party's 372 MPs had pledged their support to ensure that she won a comfortable outright majority in the ballot.

But as Mrs Thatcher flew to Paris to attend a two-day meeting of the Conference on Security and Co-operation in Europe, Mr Heseltine said that his support had now risen significantly above the 100 MPs he claimed when his campaign was launched.

The general view of less committed MPs was that the position was so fluid that it was impossible to judge whether Mr Heseltine would win the 159 votes necessary to force a second round, or whether a large number of abstentions might deprive Mrs Thatcher of victory in the first ballot. If that happened there would be intense pressure on others – including Mr Douglas Hurd, the foreign secretary – to join the contest in the second round.

Challenge to Thatcher, Page 12; Editorial comment, Page 18

> I do not like monopolies of any sort. And like most people in this country I am suspicious of blue-prints, especially where institutions are concerned. My own vision of Europe can be summed up in two words. It should be free, politically and economically. And it should be open
>
> Margaret Thatcher: Page 19

Iraq offers hostage deal to stall invasion threat

By Victor Mallet in London and Peter Riddell in Paris

IRAQ WILL free all foreign hostages in batches over three months starting on Christmas day in a move aimed at forestalling a US-led invasion.

Baghdad's announcement, intended to unsettle the anti-Iraq alliance, came as President George Bush and other world leaders were gathering in Paris for a European security meeting overshadowed by the Gulf crisis.

Mr James Baker, the US secretary of state, described the Iraqi move as "further cynical manipulation", while Mr Marlin Fitzwater, the White House spokesman, said it was "standard propaganda."

The US said the 2,000 or more westerners and Japanese still held hostage or hiding in Iraq and Kuwait should be allowed to go immediately.

Iraqi television said President Saddam Hussein decided to release the hostages at a meeting of the ruling Revolutionary Command Council. But Baghdad warned that the phased release could be halted if "something disrupts the climate of peace."

The Iraqis, who originally saw hostages as a shield against attack, have tried to gain maximum propaganda advantage through freeing some of them in a steady trickle. But more recently, Baghdad reportedly has felt that the hostages might be a pretext for a US-attack or an obstacle to a settlement.

An Iraqi statement yesterday said the decision to free them was made with their families in mind and in response to pleas from "all men of goodwill". But it was also "a contribution on our part to provide more constructive measures in the service of peace and dialogue."

US president George Bush (right) is welcomed by Chancellor Helmut Kohl at Ramstein airbase in Germany yesterday before talks about the Gulf crisis

US president George Bush yesterday urged Germany to play a more active role internationally, particularly in the Gulf crisis, but he obtained no public backing for possible military action, writes Peter Riddell. At a six-hour stopover at Chancellor Helmut Kohl's home in Ludwigshafen, in the Rhineland, Mr Bush argued that Germany, along with the rest of Europe, needed to resist turning inward and insulating itself from global challenges, such as the Gulf.

Washington and its allies will regard the announcement as a ploy to deter the multinational forces in the Gulf from launching an attack to liberate Kuwait after Iraq's invasion on August 2.

The three-month period after Christmas is the best opportunity for an allied assault, because it precedes the holy Moslem month of Ramadan in the spring, and the weather is relatively cool.

In the latest hostage flight from Baghdad, an Iraqi airliner left last night for London carrying 133 foreigners, many of them women and children related to Kuwaitis.

Mr Baker, also in Paris in advance of the CSCE conference, has been seeking international support for the possible use of military force against Iraq in a series of bilateral meetings. After his talk with Mr Roland Dumas, French foreign minister, US officials claimed Mr Baker had gained a French commitment to support a UN resolution authorising war against Iraq.

Mr Dumas was much more circumspect however, admitting only that there might be a case for seeking a new Security Council Resolution.

The weekend saw a flurry of reports from Israel and the US about Iraq's attempts to develop nuclear weapons, one of the issues which has been

Continued on Page 20

Bush in Czechoslovakia, Page 2; Middle East, Page 3

Gorbachev told confidence in him is exhausted

By Quentin Peel in Moscow

PRESIDENT Mikhail Gorbachev this weekend won the backing of the Supreme Soviet, his own Communist party, and a majority of the country's 15 republican leaders, for a drastic overhaul of the entire Soviet government structure.

Yet he was warned by conservative members of the Supreme Soviet that he may face a vote of no confidence at the Congress of People's Deputies – the nation's super-parliament – in a month's time, if the situation in the country fails to improve.

"Confidence in you has been exhausted," warned Colonel Viktor Alksnis, a leader of the conservative group Soyuz.

Mr Gorbachev's announcement on Saturday of an eight-point plan, combining presidential rule with an executive federal council, which he unveiled on the eve of his departure on a state visit to Italy and the CSCE summit in Paris, appears to have headed off the immediate threat of a rebellion against his authority.

His new attempt to end the conflict between the central government and the 15 republics and halt the progressive disintegration of the Soviet economy amounts to a calculated gamble which puts his own position at stake.

The move appears to make inevitable the resignation of Mr Nikolai Ryzhkov, his prime minister for more than five years, whose government will now come under direct presidential control. Mr Gorbachev can thus no longer distance himself from the incoherence of central government policy.

Mr Ryzhkov said on Saturday that he saw no role for the chairman of the Council of Ministers – his own position as prime minister – in the new system. The Council of Ministers will survive, but only after "radical reorganisation, subordination to the president, and the introduction of changes in structure and personnel," according to Mr Gorbachev.

At the same time, his gamble in granting executive power to the Federation Council, where he sits with 15 republican presidents, seems unlikely to make any difference to the four or more republics determined to quit the union.

Growing tension between nationalist demonstrators and the Red Army exploded again at the weekend, when troops in Lithuania fired salvoes in the air, used water cannon and finally assaulted protesters in Vilnius, the Lithuanian capital, according to local journalists.

The new structure of government will still involve a possible conflict between the Federation Council, which will be backed by an inter-republican economic committee, designed to co-ordinate the economic policies of the republics, and the Council of Ministers now responsible to the president. All decisions affecting the whole country, whether taken by the central government or individual republics, will have to be cleared through the Federation Council.

However, Mr Gorbachev is proposing to scrap his Presidential Council, an advisory body which has been unable to influence either the government or the republics, and replace that with a National Security Council.

Gorbachev visits Vatican; Ryzhkov out on a limb, Page 2

Gulf crisis and fear of trade war overshadow arms treaty

By Robert Mauthner and Ian Davidson in Paris

AN unprecedented gathering of 34 political leaders from Europe, North America and the Soviet Union will today formally set the seal on the end of the Cold War, and sign a far-reaching arms control treaty aimed at making a future war in Europe impossible.

But the celebrations of detente in Europe are being overshadowed by anxious bilateral consultations outside the formalities of the plenary sessions over the Gulf crisis, as well as over the looming trade conflict between the US and the European Community.

Today's signature of the arms control treaty on conventional forces in Europe (CFE), initialled in Vienna yesterday, will lead to the elimination of the Soviet Union's superiority in offensive weapons systems in a region stretching from the Atlantic to the Urals.

The political leaders will also this week set up new pan-European institutions to buttress the prospects for peace, including a permanent secretariat for the European Security Conference located in Prague, a regular time table for further summit and ministerial meetings, a Conflict Prevention Centre, and a new human rights charter reinforcing the provisons of the 1975 Helsinki Final Act.

The tone of international anxiety, over growing fears that the Gulf crisis could escalate to war, has been set by the intensity of top-level consultations immediately preceding the pan-European summit, including the visit of President George Bush to Bonn for talks with Chancellor Helmut Kohl, the visit of President Mikhail Gorbachev to Rome, and the recent high-pressure overseas tours of Mr James Baker, US secretary of state.

Last night Mr Bush had a private dinner with French President François Mitterrand, and today he will have breakfast with Mrs Margaret Thatcher, the British prime minister. Meanwhile Mr Baker yesterday had bilateral meetings with Mr Roland Dumas, Mr Douglas Hurd and Mr Eduard Shevardnadze, the French, British and Soviet foreign ministers.

In his bilateral meetings, Mr Baker has been seeking international support for the possible use of military force against Iraq. After his talk with Mr Dumas, US officials claimed that he had gained a French commitment to support a UN resolution authorising war against Iraq. Mr Dumas was much more circumspect after the meeting, however, admitting only that there might be a case for seeking a new Security Council Resolution.

The build-up of US forces in the Gulf, expected eventually to reach nearly 400,000 men, has been made possible by the detente between the US and the Soviet Union, and made much easier by the negotiated reduction of conventional forces in the European theatre.

The CFE treaty calls for the

Continued on Page 20

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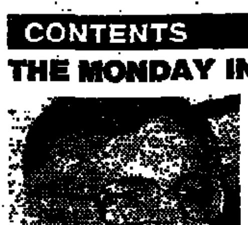

Vaclav Klaus, Czechoslovakia's finance minister, has poured scorn on those still in power in his country who search for a benign state of being between the free market and the command economy. Page 36

FT SURVEYS THIS WEEK

Ascension Day in Warsaw.

Poland

Now embarking on east Europe's most determined transition to full-blooded capitalism. – *separate section, Tuesday.*

TODAY:
Chubu: the people of Middle Japan fight to retain an identity. *(Separate section).*
European Finance & Investment, Part 9: Italy: merger mania grips the media. *(Separate section).*

TUESDAY:
Poland: see panel, left
Computer Networks: glue for the global village.

WEDNESDAY:
Turkish Finance & Industry: What price the Iraq embargo?
Pharmaceuticals: immunity to recession is under assault.

FRIDAY:
Property Investment & Finance: As financiers feel the pinch, the best they can say is that it seemed a good idea at the time.
FT Review of Business Books: the latest books on industry, economics and management.

Elections may affect make-up of Yugoslavia

By Laura Silber and Judy Dempsey in Belgrade

VOTERS in Yugoslavia's central republic of Bosnia-Hercegovina yesterday went to the polls for the first time in over four decades, to elect a new parliament whose composition could influence the future political map of the country.

The elections, which are also seen as a test case for the reforms of Mr Ante Markovic, the country's prime minister, are taking place amid bitter ethnic and political disputes over how Yugoslavia should be governed.

Since 1945, the republic's three main ethnic gro ., s, Catholic Croats, who make up about 20 per cent of the republic's 4.1m population, Orthodox Serbs (30 per cent), and Moslem Slavs (40 per cent) have co-existed largely because nationalism was suppressed under the late President Tito, who astutely granted the Moslems status as a nationality.

In recent months however, nationalist unrest has spilled into Bosnia. It has been generated by Croatia's right-wing Democratic Union (CDU), freely elected last April, and the non-elected Serbian communist government, led by Mr Slobodan Milosevic. Both republics have threatened to extend their borders into Bosnia-Hercegovina. This would lead to violence among the three ethnic groups.

The first world war broke out in Sarajevo 76 years ago and the region was pulled apart in 1941 by civil war in which hundreds of thousands died. That ignominious past, combined with fresh fears of instability, could persuade voters to swing behind either the communists or Mr Markovic.

Ryzhkov the loyal lieutenant finds himself out on a limb

PRESIDENT Mikhail Gorbachev's sudden announcement of a drastic overhaul for the executive organs of Soviet government spells the beginning of the end for the administration of Mr Nikolai Ryzhkov, his prime minister since 1985, writes **Quentin Peel** in Moscow.

It is still not clear exactly what will become of Mr Ryzhkov, always the loyal but uninspired lieutenant, a thorough technocrat steeped in the old central planning system – good at public relations, but short on imagination.

The prime minister told reporters on Saturday there was no place in the future set-up for the "chairman of the Council of Ministers" – that is, himself. After an emotional and halting performance in parliament, he confessed he had only been consulted over the shake-up 20 minutes before the president spoke.

On the surface, Mr Gorbachev has bent over backwards in the past nine months to protect his premier, as attacks from radicals and conservatives on the inept performance of the government on economic reform have grown.

One year ago, Mr Ryzhkov was even more popular in some opinion polls than Mr Gorbachev – although both trailed far behind Mr Boris Yeltsin, president of the Russian federation. Since then, however, the reputations of the government and the prime minister have slumped with the collapse of the old economic order.

The prime minister is an engineer, with a classic background for a Soviet technocrat. He spent all his early career at the giant Uralmash engineering complex in Sverdlovsk, a pillar of the military-industrial establishment. By the age of 41, he was the general director, and from there rose to national recognition, through the Supreme Soviet, and the central committee of the Communist party, finally entering the ruling politburo six weeks after Mr Gorbachev became general secretary in 1985. He became prime minister that September.

Since debates began on transforming the economy into a genuine market system, and not simply a streamlined planning system, Mr Ryzhkov has never seemed to understand the difference.

"He used the right words, but he never understood the music," according to one young economist who helped draft the radical 500-day plan for a market economy.

Starting last December, he produced four draft economic reform plans, each showing the same muddle between what must remain planned, and what must be left to the forces of supply and demand.

As liberalising reforms started to take effect, the government kept reimposing central controls and restrictions.

In recent months the prime minister's refusal to embrace more radical reform was bitterly criticised by advisers very close to Mr Gorbachev, such as Professor Nikolai Petrakov, *his economic* adviser, and Mr Stanislav Shatalin, co-author of the 500-day plan. But the president refused to ditch him until now.

This week, however, it became obvious that Mr Ryzhkov's position was no longer providing any protection for the president. Whatever becomes of Mr Ryzhkov now, Mr Gorbachev will have to brave that tide on his own.

GENERAL Mikhail Moiseyev, chief of the Soviet general staff, yesterday announced plans to slash the number of top generals by two-thirds and reduce the Soviet military to around 3m men by the year 2000, writes Quentin Peel. He also revealed details of substantial pay rises for officers and conscripts, in response to growing discontent in the ranks.

Latest details of the Soviet Union's sweeping military reform plans were published in the army newspaper, Krasnaya Zvezda (Red Star), only days after President Mikhail Gorbachev said a shake-up was coming in the military high command.

Gen Moiseyev, appointed two years ago at the age of 49, said that no fewer than 1,300 generals were to go in the cuts, as well as 220,000 officers and 250,000 non-commissioned officers.

Gorbachev visits Vatican

President Mikhail Gorbachev yesterday held his second meeting with Pope John Paul II in the Vatican in less than a year and expressed the hope that their third encounter would be in the Soviet Union, John Wyles writes from Rome. Mr Gorbachev's wife Raisa was also present at the meeting – pictured right.

Papal aides cautioned, however, that the Pontiff was unlikely to make such a visit before 1992 and before issues relating to the Catholic Church's activities in the Soviet Union were resolved. The Soviet president held talks with Italian leaders and signed a Soviet-Italy treaty of friendship and an economic agreement providing L7,000bn (£3.2bn) of Italian credits to Moscow over the next five years. Later, he was presented by Mr Giulio Andreotti, the Italian prime minister, with the Premio Fiuggi award and a cheque for L500m for services to world peace.

Bush promises to stand by Czechs in reform drive

By Peter Riddell, US Editor

A SERIES of trade and investment measures to assist economic reform in Czechoslovakia were announced by President George Bush during his visit to Prague, though he acknowledged that the main assistance would come from the International Monetary Fund and the World Bank.

The package – combining a lowering of tariff barriers, limited direct assistance and technical advice – is similar to those already offered to Poland and Hungary.

During his speech to the Federal Assembly in Prague, Mr Bush promised that "America will stand with you." He would urge Congress to authorise a $60m (£30.6m) Czechoslovak-American enterprise fund, a non-profit endowment designed to promote private enterprise.

In addition, the US will extend prompt economic assistance from the $370m now commited by the US to central and eastern Europe for the coming year.

In later comments to reporters, Mr Bush said he had told President Vaclav Havel that "the thing that is of most import to Czechoslovakia is increased support from the IMF and World Bank." He promised that the US would be "very supportive". A 12-month standby arrangement is expected to begin early next year.

Mr Bush said he expected that the IMF, "at our initiative", would lend up to $5bn to central and eastern Europe next year, while the World Bank would commit an additional $9bn over the next three years, again for all countries in the region.

The US and Czechoslovakia are now bringing into force their bilateral trade agreement, signed last April and just approved by both national legislatures. This will extend most favoured nation tariff treatment (MFN) to Czecheslovakian exports. The White House said that "combined with current and planned reforms in Czechoslovakia, the extension of MFN should result in a three-fold increase in bilateral trade over the next few years."

Coinciding with Mr Bush's visit, the Czechoslovak government has entered into a "multi-million dollar joint venture" with Bell Atlantic and US West, two leading telephone groups, to modernise the country's communications network.

Various steps to simplify the operations of foreign companies in Czechoslovakia are also being introduced, including improved access to office space, advertising and distribution.

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Solidarity in talks to avert pit strikes

By Christopher Bobinski in Warsaw

POLISH government officials and Solidarity miners' union representatives are due to talk today in an attempt to avert big pit stoppages planned for tomorrow.

The talks come as the country enters the last week of a presidential election campaign with Mr Lech Walesa, the favourite, commanding 35 per cent of the votes in the latest polls.

Mr Tadeusz Mazowiecki, the prime minister and Mr Walesa's main challenger, is trailing 16 points behind and is being challenged for second place by Mr Stanislaw Tyminski, a Polish Canadian businessman, who has 17 per cent support.

The talks with the miners follow a warning, which was broadcast on television on Friday, by Mr Leszek Balcerowicz, the deputy premier and finance minister, on the inflationary effects of pay concessions.

The government says fulfilment of the miners' demands would amount to a 20 per cent pay increase. The warning comes amid growing resistance to wage controls. A strike has already paralysed public transport in Krakow and Gdansk.

Workers are threatening to cut off the oil unloading terminal in Gdansk today if pay concessions are not made.

Prices in October rose by 5.7 per cent from September, confirming government fears of a renewed wave of inflation. Strict wage controls, agreed with the International Monetary Fund at the beginning of the year, meant that real incomes dropped by 36 per cent over the first five months of 1990.

But a loosening of pay policy in the summer has recently seen monthly rises, bringing the year-on-year fall in real incomes to 24 per cent by October.

Sombre notes vie with Liberty Bell

Peter Riddell hears contrasting tones from US and Czech leaders as Prague marks attainment of its freedom

THE contrast could not have been greater – the optimistic US President George Bush proclaiming the transformation of central Europe and symbolically ringing a replica of the US Liberty Bell, and the sombre: Czechoslovak president Vaclav Havel warning of the dangers of "ambitious rivalry, egoism and intolerance".

Saturday's rally at Wenceslas Square was intended to be a celebration of the first anniversary of the brutal suppression of student protests which started the "Velvet Revolution" and so it was, with folk music and even some wholly inappropriate American Civil War songs.

According to official US and Czech calculations, some 700,000 people were in the square for the first visit of an incumbent US president.

But most striking was the leaders' differences of approach, even of vision, about the changes of the past year. Mr Bush saw only light; President Havel also saw a darker side.

To Mr Bush and most Americans, the Velvet Revolution and similar upheavals elsewhere in central Europe represent an assertion of universal values of democracy and liberty, and a reaffirmation of the American Declaration of Independence and its Bill of Rights.

Mr Bush talked of a "commonwealth of freedom based on shared principles" and of advancing a further step towards a new world order. He linked these changes specifically to the Gulf crisis, warning of the dangers of isolationism and comparing Czechoslovakia, as a victim of appeasement 51 years ago, with Kuwait last August.

Mr Havel's own address was less euphoric and more introspective.

Confessing to some embarrassment, he wondered why his country's political climate was being "systematically poisoned by demagoguery, by political, ethnic and racial intolerance". Dissatisfaction, nervousness, insecurity and disillusionment are, he noted, widespread in Czech society. "What is far worse are the attendant phenomena ever more obvious at every turn: rancour, rivalry, mutual denigration, envy and boundless ambition. These vices affecting our public life are ever more rampant."

Are we, President Havel asked, "really a nation capable of reviving its virtues only once every 20 years? Virtues that only last for a few months? Are we really a nation that only manages to kowtow to the oppressor and when the cup finally overflows vie in the bravado of boasting speeches and mutual defamation?"

These are questions which Mr Bush did not begin to address. His visit was intended as a symbolic celebration of an unsullied revolution – with the offer of a few morsels of help.

Bulgarian premier to present austerity package

By Judy Dempsey

MR Andrei Lukanov, Bulgaria's prime minister, will present an austerity package to parliament this week, despite growing criticism of the government's handling of the economic crisis, and despite growing demonstrations.

More than 120,000 Bulgarians packed central Sofia yesterday and called on the government to resign, in the biggest public protest since free elections last June.

On Saturday thousands of women marched through the capital beating saucepans and demanding an end to food shortages. In other cities, the opposition Union of Democratic Forces continued to demand Mr Lukanov's resignation, even though the UDF has no alternative policies or a leadership to run the country.

Mr Lukanov, so far, has managed to survive. But the effects of the Gulf confrontation – which has cost Bulgaria over $2bn (£1bn), a cut in energy supplies from the Soviet Union which has led to daily power cuts, and a shortage of raw materials which has left half the country's industry at a virtual standstill – have thrown the government and the country into a crisis.

Mr Lukanov believes the introduction of market reforms, which he hopes will attract foreign investment, will help to resolve the crisis. Bulgaria's total debt is $10.6bn.

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● THE MIDDLE EAST

Victory for Jordan's religious right

By Tony Walker in Cairo

JORDAN'S religious right yesterday scored a victory when the Jordanian parliament elected a member of the Moslem Brotherhood as speaker by an unexpectedly wide margin.

The election of the US-educated Mr Abdul-Latif Arabiyat confirms the growing political strength of religious fundamentalists in the kingdom. The ease of his victory, by 41 votes to 28, came as a shock to secular parliamentarians who had expected the result to be much closer.

The Moslem Brotherhood, which commands a bloc of 22 in the 80-member lower house, is likely to become more insistent in its demands for a share of power.

Political moderates in Jordan are expressing dismay over the Moslem Brotherhood's latest success. But at the same time they acknowledge that sentiment on the street in Jordan, gripped as the country is by an economic crisis, favours the religious right.

The way was opened for the fundamentalists to capture the parliamentary speakership when King Hussein last year allowed the first general parliamentary election in Jordan in 22 years.

The well-organised Moslem Brotherhood – unlike secular parties it was not banned in 1957 after an attempted leftist coup against the monarchy – captured the largest single bloc of seats in the November 1989 poll.

Since that election, the religious right has moved cautiously, but it has been successful in having alcohol banned on flights to Arab destinations by Jordan's national airline and has imposed tighter censorship on television entertainment.

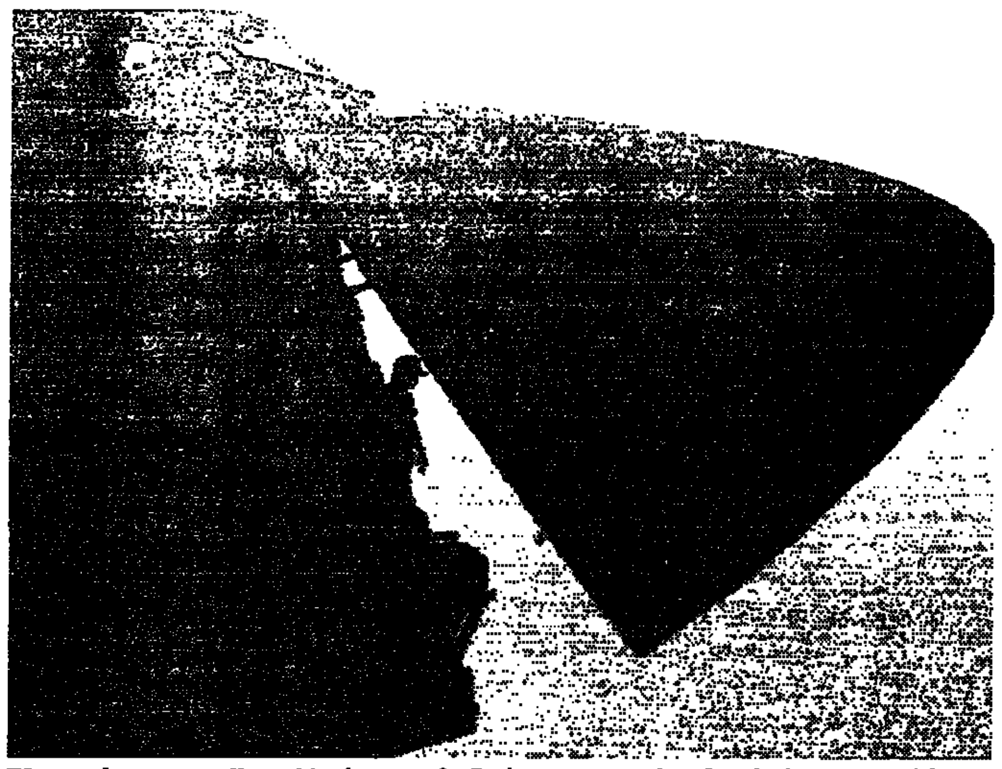
The brotherhood, founded in the Egypt in the late 1920s, wants the application of Islamic Sharia law, a ban on usury and the implementation of a stricter moral code. Jordanian fundamentalists have been among the most outspoken supporters of Iraq in the Gulf crisis.

Mr Arabiyat's success coincided with a bitter condemnation yesterday by King Hussein of western "double standards" on the Gulf crisis.

Speaking from the throne at the the opening of parliament, the king attacked what he described as a weak western response to Israel's killing of 18 Palestinians on Temple Mount in Jerusalem last month, even as the US and its allies were preparing for war against Iraq.

"This is tolerated with only a timid rebuke... by the same powers who are adopting a course of military escalation, unyielding positions and economic strangulation in the Gulf," King Hussein told his subjects in a nationally televised address.

Jordan's monarch, whose own attempts to promote an Arab solution to the Gulf crisis have come to little, charged that the west's "blatant and shameless conduct must confirm to us that their real motives are far from being the hollow claim to uphold legitimacy and defend principles. Their actual goals stem from their desire to control our destiny and the Arab nation's resources."



US ground support staff stand in the nose of a Boeing 747 cargo aircraft as it closes, at an airbase in Saudi Arabia.

Scrutiny for Kenya's record

By Julian Ozanne in Nairobi

KENYA'S economic performance and human rights record today come under scrutiny in Paris, where a meeting of its western government donors may decide to cut aid for economic and political reasons, at a time when the country faces serious pressure on its balance of payments.

Last year Kenya's current account produced a record SDR479.5m (£352m) deficit, 7.5 per cent of GDP. Higher oil prices have already cut GDP growth by 0.5-1 percentage point lower than the 5 per cent forecast, while the country's population is growing at an estimated 3.8 per cent a year.

Government imports have been cut from SDR336.5m in 1989 to SDR202m this year. The government has also pledged to reduce the budget deficit from 4 to 2.5 per cent of GDP this fiscal year.

Donors are concerned at the government's failure to introduce a policy for privatisation and divestiture of state-owned corporations. They also call for a public investment programme which tackles government expenditure and improves project selection, and say the government is not doing enough to cushion the impact of adjustment on vulnerable social groups.

Omani sultan to open up government

By Victor Mallet, Middle East Correspondent

SULTAN Qaboos of Oman became the latest Gulf ruler to edge his country towards a more open system of government yesterday when he announced that a new consultative council would be established within a year.

"There will be no government membership of this *majlis*," the Sultan said in a speech marking the 20th anniversary of the day he deposed his father and began the modernisation of Oman.

"This is another step on the road of participation that serves the aspirations of Omani citizens," he said.

Since Iraq invaded Kuwait in August, the Kuwaiti government-in-exile has agreed to consolidate democracy if and when the country is liberated. King Fahd of Saudi Arabia said he would introduce an appointed consultative council to advise the authorities.

Oman already has a 55-member council composed of government officials and private citizens chosen by the Sultan. It meets four times a year.

The sultan gave few details about the new body other than to say that it would exclude state officials and include representatives from Oman's 42 counties, but it is assumed that it will be more representative than the existing council. One official said it would be a popularly elected parliament, while others said the method of choosing members had not yet been decided.

Although the citizens of the six Arab Gulf states are far more free than the inhabitants of Iraq, Gulf rulers have found themselves under pressure to liberalise their political systems since the Gulf crisis began.

US voters have begun to ask whether it is worth supporting traditional monarchies with the blood of American soldiers. Gulf citizens themselves want to know why the autocratic Kuwaiti ruling family so signally failed to defend the country when the Iraqis invaded.

Sultan Qaboos also promised to strengthen the Omani armed forces and to support small businesses. He called 1991 "the year of industry" and reiterated his appeal to Omanis, who depend heavily on foreign labour, to work harder.

The anglophile sultan has always played a moderating role in regional affairs, and yesterday he appealed for a peaceful settlement to the Gulf crisis accompanied by the return of Kuwait "to its legal authority".

Correction

King Hussein of Jordan

IN articles published on October 17 and 23, it was said that His Majesty King Hussein of Jordan had been told by President Saddam Hussein of Iraq late in July of his plans to seize all of Kuwait.

This is incorrect. It arose from misinterpretation of an agency report. King Hussein did not know and was not told about Iraqi plans with regard to Kuwait. The Financial Times has apologised to His Majesty for any embarrassment caused by the error.

Canadian politicians to visit Baghdad

THREE Canadian members of parliament are due to arrive in Baghdad today in an effort to secure the release of at least some of about 45 Canadians still in Iraq and Kuwait, Bernard Simon writes from Toronto.

The group, which includes one member of each of the three main political parties, received visas from the Iraqi embassy in Ottawa on Saturday morning, after waiting for more than a week for their applications to be processed.

The Canadian government has declined to give the mission its official support.

● French extreme rightist leader Jean-Marie Le Pen, who has backed Iraq in the Gulf crisis, left for Baghdad yesterday at the invitation of Iraq, to seek the release of European hostages, his party said, Reuter reports from Paris.

Bad weather keeps the marines at bay

Lara Marlowe on Operation Imminent Thunder

THE multinational forces confronting Iraq in the Gulf began their biggest military training operation at the weekend, but the centrepiece of the exercise – an amphibious landing by US marines on a Saudi beach 100 miles south of Kuwait – was postponed because of high winds and rough seas.

The six-day manoeuvres, named Imminent Thunder, involved more than 1,100 aircraft, 16 warships (including the aircraft carrier USS Midway and the battleship USS Wisconsin), 1,000 US marines and 34 Saudi marines.

Fifty British aircraft, including Nimrod surveillance aircraft and Jaguar and Tornado ground-attack jets, are participating in the exercise. No live ammunition is being fired.

Although three smaller, similar exercises have been held in Oman and Bahrain, Imminent Thunder is the first such operation to take place on Saudi soil. It also marks the first inclusion of non-US forces in large-scale manoeuvres.

Winds of 25 to 30 knots yesterday prevented marines of the Fourth Marine Expeditionary Brigade from boarding landing craft and cargo vessels 25 miles off-shore. Most of the men were instead ferried ashore by Chinook helicopters to link with the First Marine Division, which was deployed in north-eastern Saudi Arabia in late August. The men taken ashore carried 30 days' supplies on their backs.

US officers said that in a combat situation the men and light armoured vehicles would probably have landed by sea regardless of the weather. But the military did not want to risk losing men and equipment in a practice exercise. US Ch-53 Sea Knight helicopters carried some vehicles and heavy equipment from the ships.

The amphibious landing was re-scheduled for tomorrow.

One of the main objectives of the manoeuvre is to practise an "over-the-horizon" assault technique, in which most of the troop-carrying warships remain out of sight of the coast. It is also intended to test the co-ordination at different altitudes of US, Saudi, French and British aircraft carrying out simulated bombing raids.

ACCOUNTANCY

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FT SURVEYS

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Coupon Number:	20

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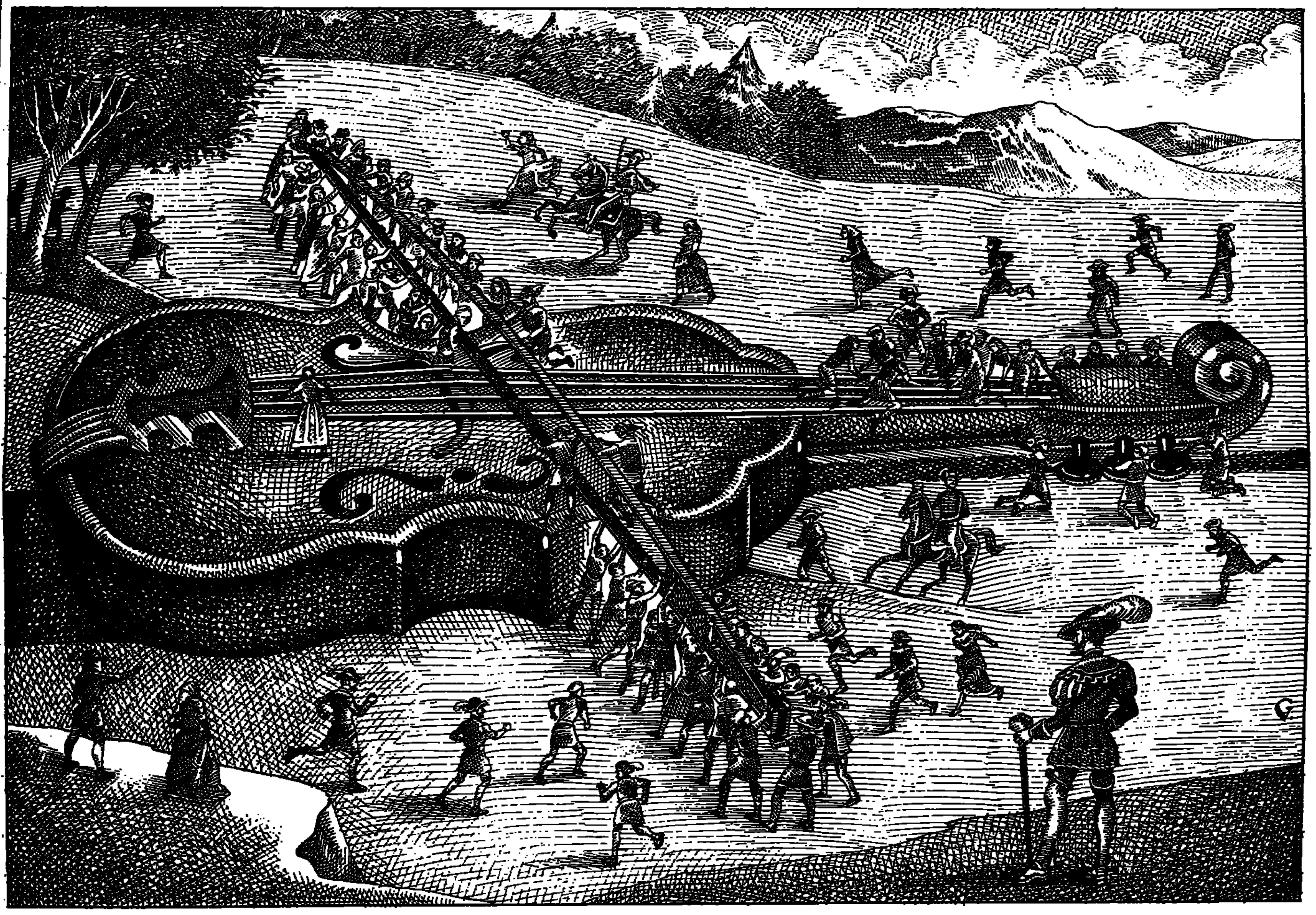

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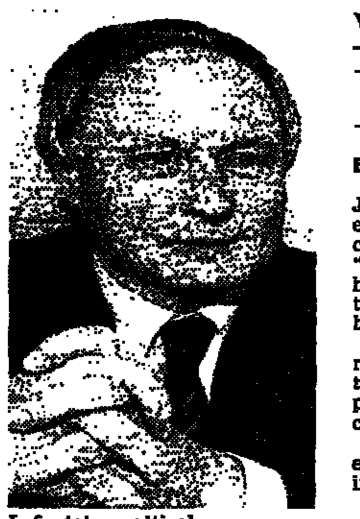
INTERNATIONAL NEWS

West German economy suffering from rising costs of unity

Bonn admits new levies likely


Lafontaine: critical

By Katharine Campbell in Frankfurt

JUST two weeks before the federal election, Mr Helmut Kohl, the German chancellor, has conceded that new "duties", some environment-related, will have to be introduced in the next legislative period as a means of narrowing the budget deficit.

The chancellor's weekend admission represents a major weakening of his party's repeated pledge that the taxpayer's pocket would not be plundered to meet the costs of German unification.

It further highlights the government's embarrassment over the steadily weakening state of the country's public finances.

Speaking in Munich on Saturday, the chancellor admitted: "We cannot avoid talking about an increase in duties."

He mentioned a "duty" on carbon dioxide emissions. Other levies, such as the introduction of motorway tolls, are also being considered by the government.

The "no new taxes" promise has become increasingly unrealistic as the costs of unity have ballooned over recent months.

On Wednesday, Mr Theo Waigel, the finance minister, made clear that spending cuts of DM35bn (£12.1bn) would be necessary in next year's budget.

Mr Kohl argued that the electorate would prefer higher levies to tax increases because the former would reward those who adapted and caused less environmental damage. He tried to persuade his audience that this was not inconsistent with the government's promise of no new taxes resulting from the problems of unity.

Even with the cuts, the 1991 public sector deficit will reach DM140bn, 5 per cent of the gross national product, according to the government's own estimates.

Mr Oskar Lafontaine, the Social Democratic leader whose party is lagging in the polls, maintained last week that the government had "no concept" in its budget policies, and that tax increases were only a matter of time. How, and if, the proposed spending reductions can be achieved remains far from clear, leaving the government under pressure for additional revenue raising solutions.


Waigel: spending cuts

Yeutter warns of 'trade war'

By Robert Taylor in Stockholm

FEARS of a global trade war if the European Community does not accept more fundamental agricultural trade reform were expressed last night by Mr Clayton Yeutter, the US agriculture secretary, at the end of a weekend visit to Sweden to discuss the Gatt Uruguay round with farm ministers.

"The level of confrontation would rise in the absence of success," he warned. Mr Yeutter added that the EC was following a "dangerous strategy" if it thought the end of the four year long Uruguay round negotiations could be postponed in order to reach a trade agreement on agriculture.

"There is not much time left," he said, pointing out that the US's negotiating authority runs out on March 1 next year, when the Uruguay round package would have to go to the US Congress. He added a conclusion to the current round would have to be reached by "February 1 or even before" because of the enormous technical paper work involved.

"My fortnight of talks around Europe have left me very pessimistic about the outcome," Mr Yeutter said. "We need a substantial movement by the EC on their proposals if any farm deal is going to be acceptable to the US Congress. At present their proposals are unacceptable to almost every other country in the world."

The US agriculture secretary said he feared that countries like Brazil and Argentina might well "walk out" of the talks over agriculture trade and this would bring about a collapse, adversely affecting the other negotiations in Gatt.

Brazil to outline debt proposal

By Stephen Fidler, Euromarkets Correspondent

MR Jorio Dauster, Brazil's chief debt negotiator, is expected to meet Brazil's leading creditor banks in New York today to outline a debt restructuring proposal. This is likely to include an offer to pay some of its arrears on interest payments owed to international banks, which amount to more than $8bn (£4bn).

Brazil has hitherto said it will not pay any interest until it has completed a comprehensive debt reduction accord with bank creditors. The banks, led by Citicorp, have responded with a proposal calling for Brazil to pay a third of the arrears and interest payments due before a comprehensive debt accord is finally agreed. It allows for the rest of the interest to be capitalised in the final agreement.

However, the Brazil government may still insist that its ability to pay a significant sum to banks is limited by its decision to control public sector financing tightly. Officials have often said that paying more than $1bn a year to international banks would jeopardise its budget deficit targets.

Relating payments to the public-sector deficit is not accepted by banks, which point to the country's huge trade surplus. It is also viewed sceptically by some governments in the industrialised countries, including the US.

A $2bn loan from the International Monetary Fund is expected to be delayed until the talks with banks make progress.

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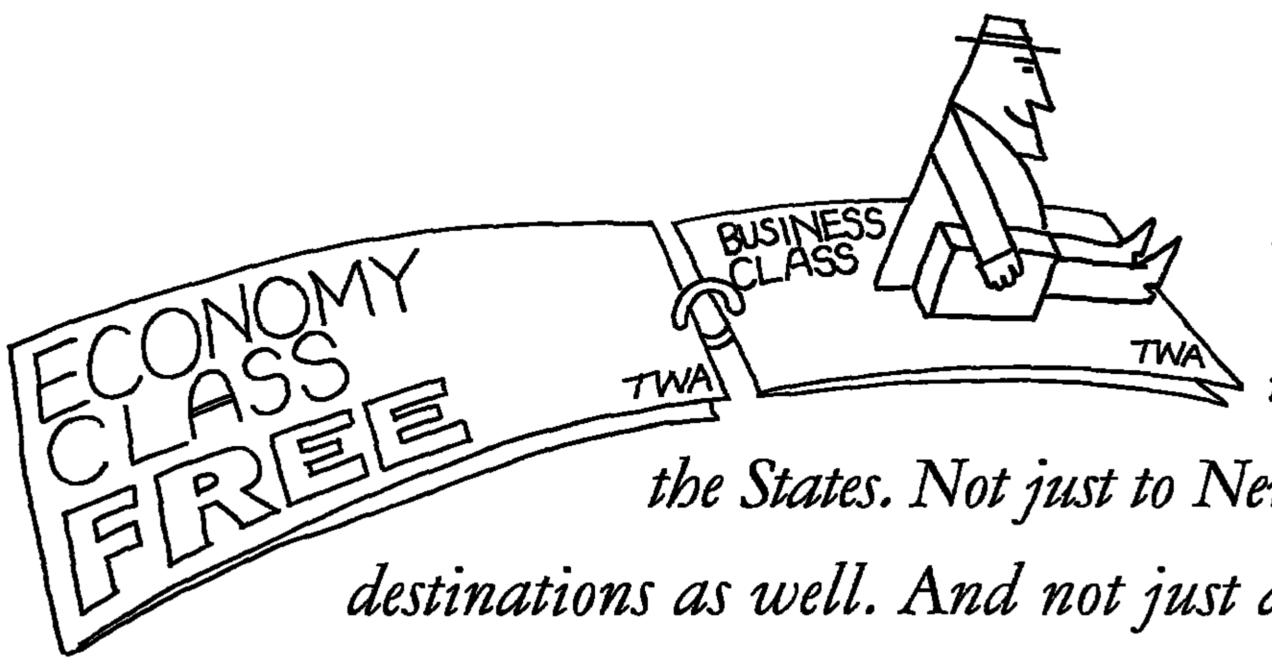

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Volkswagen consolidates leadership

Output and profits fall as European car markets weaken

By Kevin Done, Motor Industry Correspondent

WEST European new car sales fell by 1.7 per cent in October to an estimated 1.112m, with a significant impact on production and profit levels. Demand fell in Italy, France, the UK and Spain – four of the five leading volume markets.

Leading volume car makers such as Fiat and Peugeot have been forced to cut output. Renault has announced a big fall in profits and Volvo's car operations have fallen into loss. Only the German car market continues to provide significant support for sales in western Europe.

New car registrations in western Germany rose by around 16.4 per cent in October, according to industry estimates, while in sharp contrast sales fell by 3.1 per cent in Italy, by 2.5 per cent in France, by 14.0 per cent in the UK and by 20.6 per cent in Spain.

In the first 10 months of the year west European new car sales at 11.5m were 1.1 per cent lower than a year ago, but in the last three months, August to October, sales have fallen by 3.4 per cent.

The biggest falls this year have come in Sweden, Finland, the UK and Spain, and in October alone new car registrations in Sweden were an estimated 33.5 per cent lower than a year ago.

The Volkswagen group of Germany, which includes SEAT, has consolidated its leadership of the western European new car market, and captured an estimated 15.2 per cent of the market in the first 10 months.

VW, which is bidding against the Renault/Volvo alliance to take a substantial minority stake in Skoda of Czechoslovakia, has established a clear lead ahead of Fiat of Italy, which is losing ground in its home market.

The Fiat group, which includes Alfa Romeo, Lancia and Ferrari and has effective control of Innocenti and Maserati, has suffered an estimated drop of 5.4 per cent in its overall sales in western Europe in the 10 months, resulting in a fall in its market share to 14.2 per cent from 14.9 per cent a year ago.

Fiat, which has recently been forced to abandon co-operation talks with Chrysler of the US because of the worsening outlook, has been hit by sharply lower sales in Italy with a fall of 7.9 per cent in the first 10 months, while the overall Italian market was virtually unchanged with a drop of only 0.1 per cent. Its Italian market share has fallen to 53.5 per cent from 58 per cent a year ago.

The deterioration has accelerated in October when the Fiat group's new car sales in Italy were 16.3 per cent lower than a year ago, which depressed its market share to 49.7 per cent from 57.5 per cent.

Fiat has been particularly hard hit by the success of the Ford Fiesta in Italy, which has helped Ford to boost its Italian car sales by 67.8 per cent in the 10 months this year, increasing its share to 7.6 per cent from 4.5 per cent a year ago.

Overall in Europe, Ford is losing ground, however, thanks in part to a sharp drop in sales of its ageing Sierra range.

Ford sales are estimated to have dropped by some 3.2 per cent in the 10 months.

It has suffered in particular from the recession in the UK, its biggest single European market, where it is the market leader. Volvo, which announced last week that its car operations had fallen into loss in the first nine months, has suffered a 10.5 per cent drop in its western European new car sales in the first ten months this year. Renault, Volvo's alliance partner in Europe, is also being hit by declining sales with an estimated fall of 4.8 per cent in the first ten months.

While overall western European new car registrations are falling, Japanese car makers are gaining ground with a jump in market share to 11.7 per cent in the first 10 months from 11.0 per cent a year ago, boosted by a 5.2 per cent rise in sales volume to 1.34m.

WEST EUROPEAN NEW CAR REGISTRATIONS
January-October 1990

	Volume (Units)	Volume Change(%)	Share (%) Jan-Oct 90	Share (%) Jan-Oct 89
TOTAL MARKET	11,466,000	−1.1	100.0	100.0
MANUFACTURERS:				
Volkswagen (incl. Audi & SEAT)	1,741,000	+1.3	15.2	14.8
Fiat (incl. Lancia, Alfa Romeo & Ferrari)	1,632,000	−5.4	14.2	14.9
Peugeot (incl. Citroen)	1,486,000	+1.0	13.0	12.7
General Motors (Opel/Vauxhall, US* & Saab)	1,361,000	+2.5	11.9	11.4
– Opel/Vauxhall	1,301,000	+3.2	11.3	10.9
– Saab**	49,000	−14.3	0.4	0.5
Ford (Europe, US* & Jaguar)	1,333,000	−3.5	11.6	11.9
– Ford Europe	1,313,000	−3.2	11.4	11.7
– Jaguar	17,000	−17.3	0.1	0.2
Renault	1,126,000	−4.8	9.8	10.2
Mercedes-Benz	370,000	+1.0	3.2	3.2
Rover	343,000	−6.0	3.0	3.1
Nissan	334,000	−5.8	2.9	3.1
BMW	313,000	−5.9	2.7	2.9
Toyota	310,000	+3.1	2.7	2.6
Mazda	241,000	+22.6	2.1	1.7
Volvo	204,000	−10.5	1.8	2.0
Mitsubishi	151,000	+4.2	1.3	1.2
Honda	137,000	+15.2	1.2	1.0
Total Japanese	1,342,000	+5.2	11.7	11.0
MARKETS:				
West Germany	2,569,000	+6.8	22.4	20.7
Italy	2,019,000	−0.1	17.6	17.4
France	1,955,000	+2.6	17.1	16.4
United Kingdom	1,829,000	−11.7	15.9	17.9
Spain	846,000	−10.5	7.4	8.2

*Cars imported from US and sold in western Europe
**GM holds 50 per cent and management control of Saab Automobile
Source: Industry estimates

Italian stock exchange strike to continue

By John Wyles in Rome

TRADING on the Italian stock exchange in both equities and government securities will be halted at least until the second half of this week because of a strike by stockbrokers' staff.

They are protesting at the uncertainty created by the government's proposals, imposed by decree, to impose a capital gains tax on share transactions.

The levy has become a personal crusade for Mr Rino Formica, Italy's Socialist finance minister, who last week implied he might put Mr Giulio Andreotti's five-party coalition in jeopardy, if any ministerial colleagues felt tempted to bend under the hostile reactions from most of the financial services industry.

Mr Formica has decided to alter his original plan (imposed by decree), to tax the buying and selling of equities at rates of 12.5 per cent and 20 per cent, following the industry's complaints about stockbrokers being given responsibility to administering and evaluating the tax charges.

But his alternative approach of a 30 per cent tax to be collected from annual income tax payments has created even more opposition.

The stockbrokers' staff are insisting on further modifications, claiming that Mr Formica's plan is technically flawed and damaging to stockmarket confidence. The stockbrokers' staff will now urge a parliamentary committee on Wednesday to amend the decree law against the threat of a further paralysis of the stockmarket's activities.

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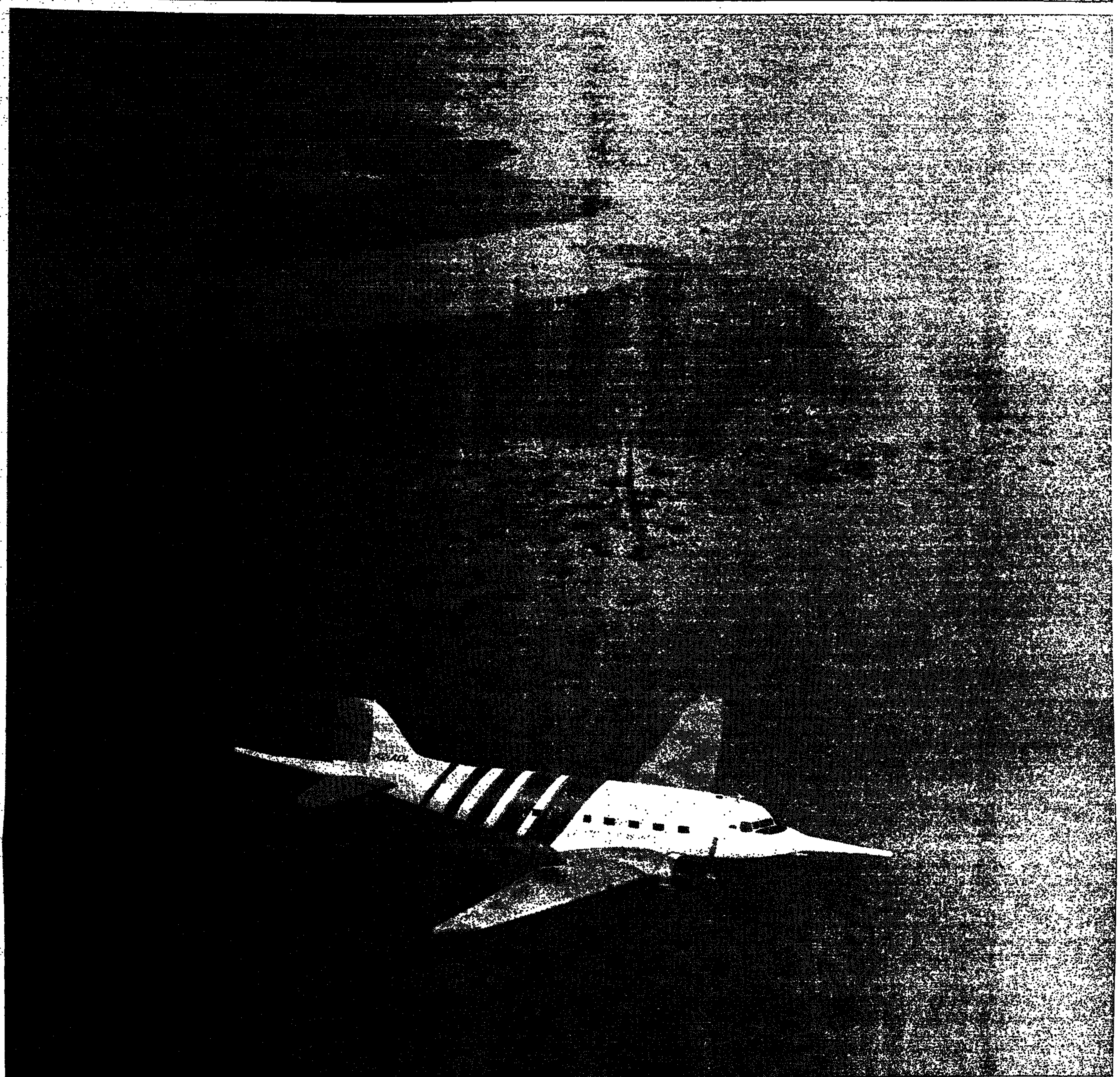

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MONDAY NOVEMBER 19 1990.

Carbon emissions tax for EC action on environment

By **Tim Dickson** in Brussels

PLANS to tax carbon emissions are being drawn up in Brussels as part of an ambitious EC environmental package to be unveiled next month.

Proposals for the first "green" fund financed from the EC budget, fiscal incentives to combat pollution, and an "eco-labelling" scheme for goods which meet high standards of environmental protection are among other measures being prepared.

Mr Carlo Ripa di Meana, the EC environment commissioner, is said to be determined to win commission approval for the ideas which he hopes will provide the foundations of his policy for the second half of his four-year mandate. All would subsequently need member state support.

Most of the issues have been under consideration for some time, but a significant spur to action was provided last month when the 18 nations of the EC and Efta committed themselves to stabilising carbon dioxide and other greenhouse gases by the year 2000.

EC environmental experts believe introduction of an energy tax is essential if this target is to be met; they argue that the current high oil price presents an ideal opportunity.

Full details of the plan have not yet been settled but one idea is that the tax would be increased as energy prices fall back closer to their pre-Gulf crisis levels. It would be related to the quantity of carbon emitted, so that for example coal would be more heavily penalised than oil, and oil would be hit harder than gas.

Other internal Brussels negotiations – concerning plans for a registration tax on lorries and a variable purchase tax on cars, related to their petrol consumption – are also at a delicate stage. Officials recognise that these proposals could trespass on member states' jealously guarded sovereignty in the area of taxation.

The other two planks of the package now taking shape – the EC environment fund and the eco-labelling scheme – will probably proceed through the commission with less debate. The fund idea has been a hobby horse of Mr Ripa di Meana, who seized on a proposal from the European Parliament in recent budget talks.

The eco-labelling scheme, meanwhile, has already been the subject of intense consultations with industry. It would involve the award of a kind of "green" badge for a restricted number of products that meet high environmental standards on the lines of a scheme running in Germany. Food and pharmaceutical products would not be eligible, and makers of dangerous substances would also be excluded.

Brittan on the trail of aid to state companies

South and north have split over the subsidy hunt, report **Lucy Kellaway, Will Dawkins** and **John Wyles**

SIR Leon Brittan, Brussels' competition commissioner, has never been popular in southern Europe. But his latest scheme to unearth all aid paid to state-owned companies has really put the cat among the southern pigeons.

The argument might seem a storm in a teacup. All Sir Leon says he wants is annual reports from big state-owned companies so he can judge more accurately whether they are receiving illicit EC subsidies. That, he contends, is something the commission is empowered to require.

However, the proposal has unleashed a political and legal battle which threatens to split the 12 EC governments – and the commission – down the middle. For it goes to the heart of one of the most sensitive policy challenges to fair competition in the single market.

The stakes for Sir Leon are uncomfortably high. If he persists with his plans, he risks alienating several EC governments and losing the support of his fellow commissioners. Yet a *volte-face* could undermine his whole drive to tighten up on state aids ahead of 1992.

Southern EC countries, most of which have big nationalised sectors, suspect Sir Leon of wanting to attack the whole basis of state ownership and their right to run industrial policies. Nationalised industries are equally outraged, claiming the commission is discriminating unfairly against them.

The logic of his initiative is clear. Though governments are supposed to submit state aids of all kinds for scrutiny by Brussels, it is much harder to identify subsidies to state-owned companies than to private ones. Aid may be disguised as cheap loans, equity injections, loss write-offs, grants or guarantees.

The commission has already acted twice in the past 10 years to strengthen policing of state-owned companies. It has required EC governments to keep information on financial transactions such as loans for four years and supply it to Brussels on request. It has also widened the definition of aid to cover capital injections and acquisition of holdings, with notification to Brussels in certain circumstances.

But Sir Leon says he is still not getting the information he needs. He wants annual reports giving full details of provision of capital, grants, loans and guarantees, dividends, and the balance sheets of state-owned companies. He also wants details of money transferred from one part of a state holding company to another. The proposed rules would apply initially to manufacturing companies with annual turnover of more than Ecu200m (£141m).

Opponents of the scheme claim:

- It discriminates against state companies by making them supply more information than private companies;
- Governments' existing financial disclosure arrangements are adequate;
- The commission is exceeding its powers, and needs Council of Ministers approval of a special regulation under article 94 of the Rome Treaty, which provides for clearer definition of the goals of state aids policy;
- Sir Leon's proposal to test the legality of state aid by judging whether a private investor would have provided funds on the same basis is too subjective;
- The scheme would transfer strategic investment decisions to the commission from member states.

Sir Leon argues that the whole point of the proposals is to put public and private industries on the same competitive footing by stripping away secrecy surrounding state industry finances.

Nor is there any question of outlawing all subsidies. The commission simply intends to examine state aids to nationalised industries to determine if they are legal. Sir Leon concedes that the "private investor" criterion is not precise, but argues that it is the only practical yardstick available.

THE EUROPEAN MARKET

Member states' responses line up across a familiar north-south divide. The UK, which has sold all its nationalised manufacturing companies, eagerly supports the plan, while Germany, Holland and Denmark seem to have no strong objections.

Leading the southern states is Italy, the most generous state aid giver in the community, which last month mounted an unsuccessful attack on Sir Leon's whole approach to policing state aids. Though nearly all countries have reduced the amount of state aid paid out each year – and thus put themselves on the side of the angels – the commission feels the overall amounts being granted are still too high.

Italy has reason to be concerned because its public sector was used in the 1970s and early 1980s as a casualty ward for private-sector lame ducks. These wrought such havoc with the accounts of the three main state holding companies, IRI, ENI, and EFIM, that the latter ceased raising capital on the financial markets and had to depend increasingly on capital injections from the government.

However, such injections have tailed off as Italy's budget deficit and public debt have exploded. Though they totalled L37,000bn (£17bn) in the 1980s, they amounted to only L788bn in 1987-89. Only L400bn of immediate new capital and a further L10,000bn of instalments is scheduled for the next 10 years.

State holding companies are authorised to raise an equal amount of long-term debt in the markets, with the state subsidising four percentage points of the interest costs. They are also required to produce consolidated accounts on a comparable basis to private limited companies' and allowed to raise additional capital through partial privatisations.

Italy argues such measures should be regarded as equivalent to private capital. It also says that capital allocations are largely tied to regional investment programmes for the Mezzogiorno, which are permitted under EC rules, and that the L10,000bn programme specifically forbids use of the funds to cover operating losses.

Beyond that, it is argued that in strategic sectors such as energy supply and research and development in advanced technologies, state companies have a national development role which the private sector would not take on either because the investment requirements are too great or because the payback period is too long.

France's position is more equivocal. The economically liberal Socialist government has taken an increasingly hands-off attitude to state-owned industries in recent years, and its capital injections have fallen from a peak of FFr23.3bn in 1986 to FFr4.7bn this year.

None the less, finance ministry officials are deeply uneasy about Sir Leon's proposals, and Paris has pointedly reminded the Brussels commission that the Rome Treaty recognises the principle of state ownership. "This is not negotiable," says an adviser to Mr Pierre Bérégovoy, the finance minister.

France's industrial policy envisages two roles for state industry: to provide a public service, as with telecommunications or rail transport, and to guarantee a French presence in long-term, capital-intensive industries such as steel, chemicals and electronics. That need not upset Sir Leon, provided uneconomic industries do not get unfair subsidies.

Running through the whole affair are two paradoxes. One is that the harshest critics of the commissions proposals include several governments which are clamouring to surrender monetary and political sovereignty to Brussels. Yet Sir Leon's strongest supporter is the UK, which is implacably opposed to a supranational Europe.

The second paradox is that the closer the EC moves to a single market, the more fiercely countries defend the principle of state ownership for purely national purposes. The question nobody in Brussels dares pose openly is what purpose state ownership serves unless it carries privileges denied to private companies.

Commission clears French power deal

By **William Dawkins** in Paris

FRANCE'S state-owned electricity board has received clearance from the European Commission's state aid authorities to supply power at advantageous rates to Exxon Chemicals, the US-owned chemicals producer.

Under the 6½-year deal, a new Exxon ethylene plant at Notre-Dame-de-Gravenchon in Normandy is to receive electricity at well below the average rates, in return for which it has to stop using power or face a very high tariff for 22 days each winter. Electricité de France (EdF) will meanwhile invest FFr70m in the FFr2.5bn project.

The move is part of EdF's strategy of attracting big industrial customers to absorb a temporary surplus of cheap nuclear electricity capacity in order to help iron out big seasonal fluctuations in power use. This has attracted criticism from EC state aid authorities, worried that EdF's favoured industrial clients might be getting an unfair advantage in a country where electricity prices are already among Europe's lowest.

The Exxon Chemicals contract is similar to a low-price deal between EdF and Pechiney, the state-owned packaging and aluminium group, on which the commission set strict conditions a year ago.

But this time the commission was "satisfied that the electricity price fixed by the contract reflects a commercial price set according to economic considerations which a national private investor would follow in a similar situation." Thus it included no state aid.

Other deals of this kind have been recently completed or are under negotiation with Allied Signal, the US engineering group; Stracel the Finnish owned paper company and Air Products, the American gases group.

EDF will charge Allied Signal from 7 centimes per kilowatt hour, in the slack summer periods, up to 53 centimes in the winter. This is a very wide band around the 40 centimes daytime rate for the average domestic user. The plant, due to open in 1993, will absorb around a tenth of the capacity of a medium-sized French power station.

Doubts over VAT administration system

By **Lucy Kellaway**

EUROPEAN Community officials doubt that the broad disagreement between member states on a new system for administering Value Added Tax after 1992 can be bridged today, when finance ministers gather at a council meeting.

The issue is one of the most difficult parts of the single market programme and there is concern that a new VAT system will not be ready in time for the 1992 deadline.

Many European companies fear that two years is not enough time in which to put the new system into place.

The commission proposal is based on the existing principle that tax is collected in the country of consumption, with border controls replaced by fiscal controls. Over the past week industry has been lobbying hard to make the proposed system less bureaucratic.

Unice, the European employers union, and the UK Institute of directors have both lodged formal complaints over the proposed system, which they believe to be unworkable.

Unice is particularly unhappy over the need for big companies to keep quarterly data of all EC exports, broken down by customer.

Meanwhile, France is gaining ground with its idea whereby all exports in the community would be individually listed – a proposal that is unacceptable to most of the northern states.

Slow progress is also expected at today's meeting on the investment services directive, making it unlikely that the Italians will get agreement by the end of their presidency on this measure, which establishes a single passport for investment firms allowing them to do business anywhere in the community.

The main sticking point today will be trading on unregulated markets. The French and the Italians are keen to restrict trading in certain securities to the bourse on which they are listed, arguing that consumer protection cannot otherwise be assured.

Other member states see this as an effort to protect the monopoly of the French stock exchange, and to try to repatriate some of the business now being done on SEAQ to the French market.

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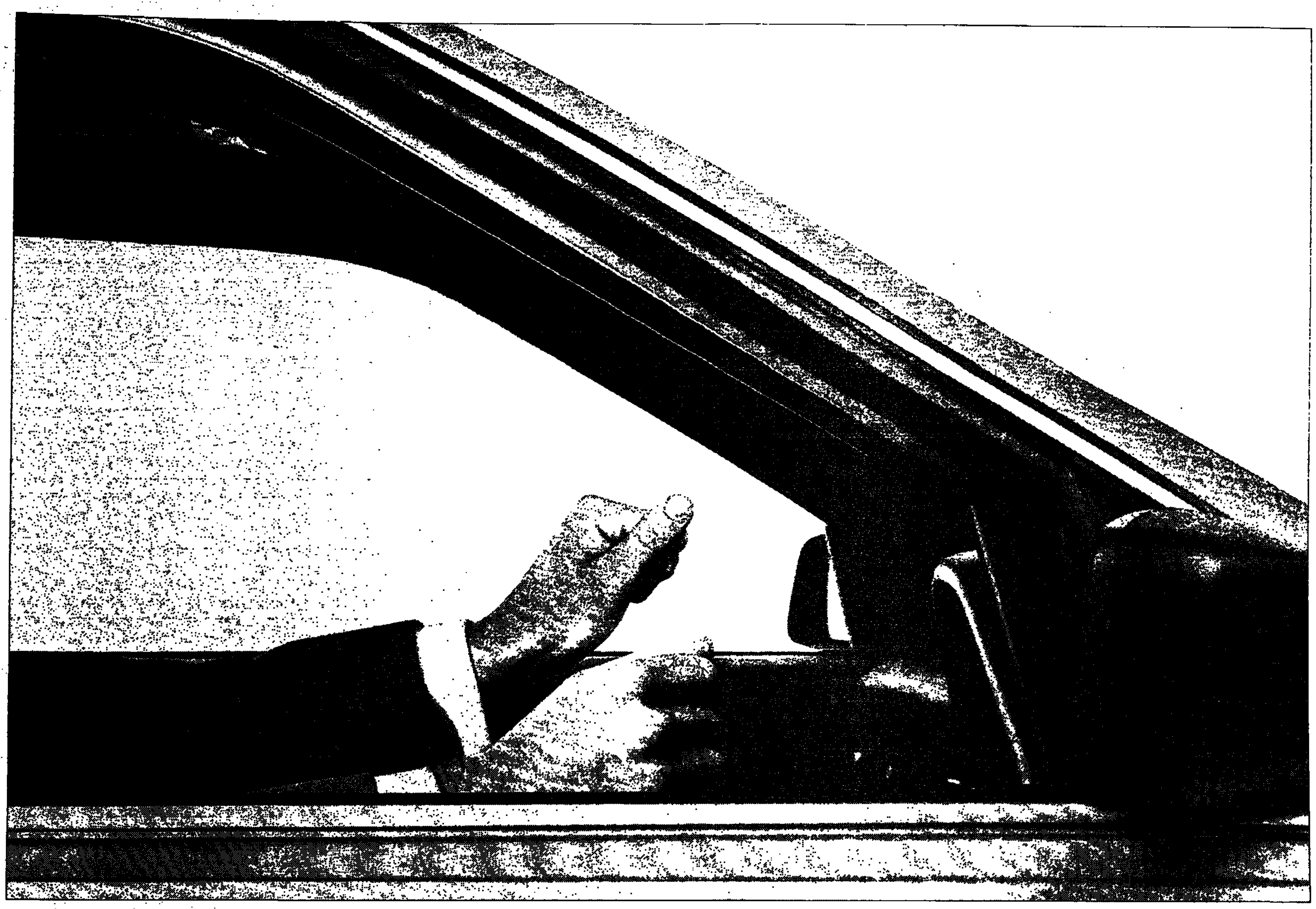

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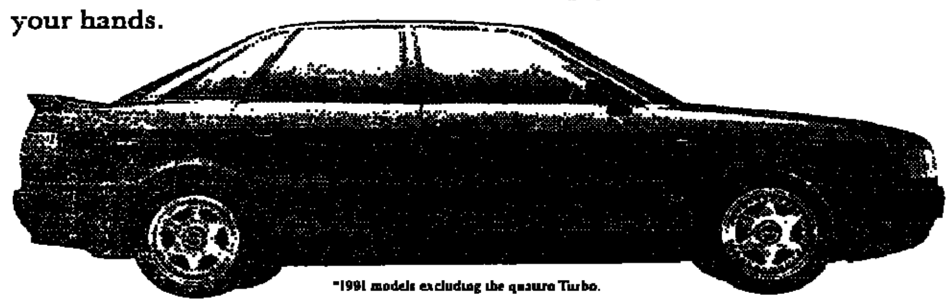

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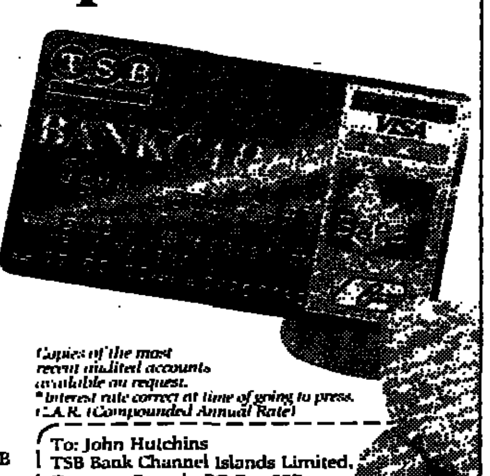

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FT SURVEYS

UK NEWS

UK EMPLOYERS' SURVEY OF COMPANIES

Small company confidence worst for decade

By Peter Norman, Economics Correspondent

BRITAIN'S small companies have reported their sharpest fall in business confidence for 10 years, according to a survey published today by the Confederation of British Industry, the employers' association.

Small companies, defined as those which employ fewer than 200 people, have been an especially dynamic part of the UK economy during the past decade.

But the survey of 726 companies, carried out between September 26 and October 17, found that small companies

- Now face their weakest demand outlook since January 1981
- Expect production to fall over the next four months
- Have reported the sharpest run down of stocks since 1981
- Indicate a sharply declining trend in employment with more job losses on the way
- Have suffered the sharpest decline in confidence about export prospects for 10 years, reflecting falling orders and low price increases for exported products.

Mr Tom O'Connor, chairman of the CBI's smaller firms council, called for government help for small companies in the next budget.

"Smaller firms need encouragement to invest not only for future growth but for survival now," he said. "It is vital that the government targets assistance to small firms through capital allowances on new plant and equipment and through an increased threshold for the small companies rate of capital taxation."

According to the survey, smaller companies have reported a "very sharp reduction" in the volume of their output in the past four months and the sharpest fall in total demand since April 1981.

The survey found that confidence about general business conditions among smaller companies had now fallen for eight quarters in a row.

Altogether, 53 per cent of companies said they were less optimistic about their business situation while only 7 per cent were more optimistic.

The resulting balance of minus 46 per cent represented the sharpest fall in confidence since October 1980, according to the CBI.

The proportion of companies reporting below capacity working increased to a seven-year high of 58 per cent in October. The survey also pointed to a continuing squeeze on profit margins, with unit costs running ahead of price rises.

Investment intentions among small companies are weaker than among manufacturers as a whole, with a balance of 19 per cent of companies polled now expecting to cut investment on capital equipment over the next 12 months.

According to Mr James Walsh, a CBI economist, small and recently formed companies are bearing the brunt of the current wave of business failures in Britain.

"So far, the rapid rise in the number of business failures seems not to have dissuaded entrepreneurs from starting up new businesses," he said.

But he warned that the boom in business start-ups may falter "as more budding entrepreneurs lose their shirts, if not their houses".

Smaller Firms' Economic Report, CBI Publications Sales, Centre Point, 103 New Oxford Street, London WC1A 1DU. £10 (£5 for members).

Brokers boycott insurance group over sales move

By Eric Short

INSURANCE brokers are threatening to refuse to place business with General Accident unless the company agrees not to underwrite further insurance schemes for motor manufacturers.

Brokers have been hit because car makers, under heavy sales pressure in the UK, have been offering free insurance for a year, negotiated directly with the customer, in an attempt to increase sales.

The decision to boycott the Perth-based company, a major UK composite insurance group and a leading motor insurer, was taken yesterday. They decided to act against only one company and chose General Accident by secret ballot.

Mr Andrew Paddick, the IIB's director general said the move had the backing of the vast majority of UK brokers.

Brokers want a commitment from GA that it will cease writing flat rate motor insurance and maintain the no claims discount system, which does not apply to free insurance.

It would not comment yesterday on the IIB's move, other than to point out that the its commercial activities were carried out in the best interests of the company and its shareholders and not for a minority of intermediaries.

UK TRADE BALANCE

Motor deficit falls by £957m in face of much lower demand

By Kevin Done, Motor Industry Correspondent

THE DEFICIT in the UK motor industry trade balance has fallen by 17.8 per cent, or £957m, during the first nine months of the year in the face of sharply lower demand for new cars in Britain.

The motor industry trade balance, one of the biggest single factors in the overall UK trade deficit, has also improved in response to more car exports and increased sourcing of components from the UK.

The improvement is still lagging behind the overall fall in the UK visible trade deficit, however, which fell by 20.4 per cent in the first nine months to £14.8bn, of which the motor industry accounted for nearly 30 per cent.

According to figures from the Society of Motor Manufacturers and Traders (SMMT), the motor industry trade deficit fell to £4.4bn in the first nine months from a record £5.4bn a year ago.

The improvement accelerated in the third quarter with a fall of £511m, or 26.2 per cent, to a deficit of £1.4bn from £1.9bn a year ago.

The value of cars exported in the third quarter was 33 per cent higher and 21 per cent higher in volume than a year ago, reflecting in particular increased exports by Nissan and Vauxhall.

The improvement in the motor industry trade deficit reflects the recent recovery in UK car output. Output has begun to rise, with production for export compensating for continuing weakness of demand at home.

Figures released last week by the Central Statistical Office showed that UK car output in October, at 133,372, was 19.1 per cent higher than a year ago, sustaining the improvement begun in August and September.

The UK domestic new vehicle market remains depressed, with new car registrations in the first 10 months 11.7 per cent fewer than than a year ago, and new commercial vehicle registrations 20.2 per cent fewer.

Imports dominate the UK new car market, accounting for about 57 per cent of sales.

As the decline in UK new car sales has accelerated, the volume of imports has fallen sharply by 13 per cent, with a 4 per cent fall in value in the third quarter.

UK MOTOR TRADE (£M)
January-September

	1990	1989
Exports		
Cars	1,976	1,720
Comm. vehicles	506	418
Parts and accessories	3,180	2,864
Others*	1,063	879
Imports		
Cars	5,838	5,790
Comm. vehicles	754	1,153
Parts and accessories	4,065	3,792
Others*	476	512
Trade balance		
Cars	−3,862	−4,070
Comm. vehicles	−248	−735
Parts and accessories	−885	−928
Others*	587	367
Total balance	−4,409	−5,366

*Others includes agricultural tractors, dumpers, trailers, caravans, industrial works trucks and freight containers.

Source: Society of Motor Manufacturers and Traders and Customs and Excise

Aldi growth could bring £600m sales

By John Thornhill

ALDI, the German discount retailer which has recently opened 13 shops in the UK, could achieve sales of £600m within four years, giving it 2 per cent of the grocery market.

This prediction, made by the Corporate Intelligence Group, assumes that Aldi will open 200 outlets.

The group's report suggests that this would have an "irritating rather than a catastrophic" impact on UK food retailers, but might increase consumer awareness of prices.

That would in turn tend to level prices and squeeze profit margins, intensifying pressures on UK food retailers.

The retailers are seeing costs rising faster than sales for the first time in a decade.

The study shows that Tesco and J Sainsbury are evenly matched rivals for the prime position in the UK grocery market.

Each has a 15 per cent share of the £34.8bn market.

The report also estimates that Aldi has worldwide sales of £8.1bn, making it much bigger than any UK grocery retailer.

The Retail Research Report. Corporate Intelligence Research Publications, 51 Doughtly Street, London WC1N 2LS. Annual subscription £495.

Share price in electricity sell-off expected to be 240p at flotation

By Clare Pearson

SHARES in the 12 regional electricity companies are expected to be sold at a common price of 240p each when the terms of the privatisation flotation are announced on Wednesday.

The issue price, which will be payable in three instalments, will not finally be set until tomorrow morning. But the indications are that it is unlikely to be changed from this level.

The government's advisers have already decided that the shares should provide an initial average annual dividend yield of about 8.4 per cent, based on the fully-paid price.

A 5p reduction in price could be made, as a last-minute adjustment, if there appeared to be strong resistance in the market to these terms. This would cause a slight increase in yield and reduction in the £5.2bn flotation proceeds.

Demand for the shares is expected to be very strong even though an 8.4 per cent yield is not as high as some institutional investors have said they wanted.

Investors will be asked to pay 100p per share at issue. The balance is payable in two equal instalments next year and in 1992.

Fine-tuning of the flotation terms was yesterday going on into the night at Kleinwort Benson, the government's financial adviser. Bankers were deciding how to divide up the shares between the companies and fix the degree to which each individual yield should differ from the weighted average.

This handicapping system is designed to make all 12 look equally attractive by penalising those companies likely to prove the most attractive to investors with less generous yields.

Broadly, the bigger, southern companies with a high proportion of domestic customers will receive lower yields, as their business is viewed as less risky than those companies reliant on industrial customers.

Kleinwort has also taken a decision to allocate 20 per cent of the shares to overseas investors. The biggest allocations will go to the US and Continental Europe, with Japan and Canada obtaining smaller portions.

Shares will be taken away from institutional investors both in the UK and abroad if demand from the UK public is very heavy. More than seven million people have registered their interest in applying for shares, indicating strong public interest.

CONTRACTS & TENDERS

GOVERNMENT OF HONG KONG

LANTAU FIXED CROSSING

PREQUALIFICATION OF CONTRACTORS FOR TSING MA BRIDGE AND KAP SHUI MUN BRIDGE

The Government of Hong Kong invites applications from civil engineering firms or consortia to prequalify for the opportunity to tender for two contracts:—

(i) the construction of the Tsing Ma Bridge;

(ii) *the design and construction of the Kap Shui Mun Bridge* and linking viaducts on Ma Wan Island.

These structures form the major elements in the Lantau Fixed Crossing, part of the extensive infrastructure supporting the construction of new airport and port on Lantau Island. The crossing will carry a dual three-lane highway and a twin-track railway. Both contracts require to be completed by late 1996.

The Tsing Ma Bridge will cross the navigable channel between Tsing Yi and Ma Wan Islands. The design consists of a suspension bridge with a main span of 1377 metres and total deck length of 2032 metres. Under the six-lane highway on the top deck, there will be a double tracked railway with two weather protected road traffic lanes.

Kap Shui Mun Bridge will connect Ma Wan Island to the large island of Lantau. The main span of this bridge will be approximately 440 metres and the total length of deck, 670 metres, with a configuration similar to that of the Tsing Ma Bridge. The Ma Wan Island viaduct, which will connect the two large bridges, is approximately 550 metres in length. The successful tenderer will be expected to design both the Kap Shui Mun bridge and the viaduct.

Firms or consortia who wish to prequalify for these contracts may do so for either one or both of the contracts.

Following successful prequalification it is intended to invite tenders for the contracts in February 1991 with return of tenders for Tsing Ma Bridge in July and Kap Shui Mun Bridge in August 1991. It is anticipated that the award of contracts should be made in late 1991 and early 1992 respectively.

Interested firms or consortia may obtain a booklet giving further details of the contracts and information to be supplied with the applications for prequalification upon written request to:

The Director of Highways
10/F, Empire Centre
68 Mody Road
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Applications for prequalification must be returned to the Director of Highways before noon, 21st December 1990.

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Notice of Meeting

Notice is hereby given to holders of bonds 13½ % 1990/1992 and to holders of bonds 10½ % 1990/1996 that ordinary meetings of the General Assemblies have been convened for Wednesday 5th December at 16.00 for the first bondholders and at 16.15 for the second bondholders at the offices of CREDIT COMMERCIAL DE FRANCE 144, avenue des Champs-Elysées, Paris 8e - France, for the following purposes:

- Appointment of the representatives of the "Masse" of Bondholders (regular and alternate)
- Fixing the powers and the remuneration of these representatives
- Approval according to Article 313-3° of the Law of July 24 of the partial assignment of assets granted to CREDIT COMMERCIAL du SUD-OUEST by CREDIT COMMERCIAL DE FRANCE.

Any bondholder, regardless of the number of bonds which he holds may attend and vote at the meeting or may appoint a proxy to legally represents him and vote on his behalf.

However, only bondholders who have deposited their bonds five days at least before the meeting, at CREDIT COMMERCIAL DE FRANCE 144, avenue des Champs-Elysées, Paris 8e, may attend the meeting or appoint a proxy to attend for them. They will be issued with the neccessary admission card and/or proxy form.

The text of the resolutions as well as all the documents which will be submitted to this meeting will be hold, as required by law, at the Head office of the Company at the disposal of bondholders.

BOARD OF DIRECTORS

NOTICE

To the Holders of

Matsushita Electric Works, Ltd.
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(the "Bonds")

Pursuant to Clause 7 of the Trust Deed dated 28th October, 1980, under which the above Bonds were issued, notice is hereby given as follows:

At its meeting on 19th October, 1990, the Board of Directors of the Company resolved a free distribution of shares of its Common Stock on 18th January, 1991 to the shareholders of record as of 30th November, 1990, at the rate of 0.05 of a new share of its Common Stock for each share of its Common Stock held by them.

As a result, the following adjustment to the Conversion Price of the Bonds will be made:
(1) Conversion Price prior to such adjustment: Yen 561.50
(2) Conversion Price after such adjustment: Yen 534.80
(3) Effective date of the adjustment: 1st December, 1990 (Japan Time)

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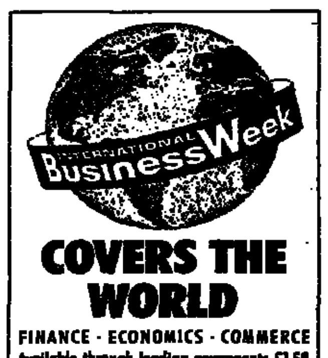
November 19, 1990



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ZURICH INTERNATIONAL
GLOBAL SECURITY

BR likely to spend £40m on London-Exeter route

By Richard Tomkins, Transport Correspondent

BRITISH RAIL is expected to announce today that it will spend £40m on a new fleet of trains for the notoriously poorly served west of England route from London Waterloo to Salisbury and Exeter.

The 172-mile line is to get a modified version of the new Class 158 provincial express train, the original version of which was announced in September after 11 months of delays.

The new trains, to be called Class 159 and nicknamed Western Turbos, will cut 15 minutes off the Waterloo-to-Exeter journey time, leaving it at at just over three hours.

Trains on the Waterloo-Exeter route are currently made up of carriages hauled by locomotives that are nearly 30 years old and notoriously prone to failure.

BR recently announced heavy cuts in services on the route from January 1 so that resources could be concentrated on making the remaining services more reliable.

The replacement of the trains has been delayed because of the possible electrification of the line. That plan was abandoned earlier this year because it was judged incapable of delivering an adequate financial return.

The service cuts will still go ahead because the new trains are not due to arrive until summer 1992.

The 90mph, airconditioned Class 158 trains are made up of carriages powered by underfloor diesel engines. The first sets went into service between Glasgow, Edinburgh and Aberdeen last month.

The main modification for the Waterloo-Exeter route will be to include first class as well as standard class seating.

The £40m allocated to re-equipping the route includes the cost of building a new depot for the trains at Salisbury.

SDLP renews offer to Unionists

By Our Belfast Correspondent

MR John Hume, leader of the Social Democratic and Labour party, Northern Ireland's main nationalist party, has renewed his offer of unconditional talks with Unionists aimed at stimulating political progress in the province.

Mr Hume told his party's annual conference in Londonderry that the two sides should sit down without preconditions to discuss the issue they all faced: mainly relationships between Northern Ireland, the Republic of Ireland and Great Britain.

The SDLP's leader identified Unionists' distrust for the rest of Ireland as their biggest stumblingblock and added: "It therefore seems logical to us that until that relationship is settled, to the Unionists' satisfaction as well as everyone else's, then nothing is going to work and it would be foolish to go down any other road."

Mr Hume said both the British and Irish governments accepted that the Anglo-Irish Agreement was not carved in stone and could be built on and transcended.

The SDLP leader also strongly attacked the IRA, labelling the Provisionals as "the true heirs of the old imperialism".

EMPLOYMENT

Call for NUM ballot on wage talks

By Lisa Wood, Labour Staff

SCOTTISH MINERS' leaders are expected this week to call for the National Union of Mineworkers to hold a ballot over whether to accept British Coal's five-year-old wage negotiation formula, which includes the Union of Democratic Mineworkers.

The move follows the announcement on Saturday that 56.8 per cent of NUM members in a national pithead ballot rejected national industrial action over pay.

NUM leaders, including Mr Arthur Scargill, the president, had called for an overtime ban, which would have cut coal output heavily, as part of a campaign for an alternative to British Coal's pay negotiating framework.

Miners in South Wales, Scotland and Derbyshire voted heavily against industrial action. NUM members in the Yorkshire area and Nottinghamshire were among those supporting Mr Scargill.

British Coal and the NUM have not negotiated over wages since the end of the miners' strike in 1985, when British Coal introduced a "majority-minority" concept under which the wages of NUM members at those pits where the NUM was in a minority would be negotiated with the UDM.

The NUM has refused to accept that. For the past five years, rates for all miners have been negotiated between British Coal and the UDM.

Mr George Bolton, president of the NUM in Scotland, said he was confident that the Scottish executive committee, meeting today, would make a demand to the NUM executive for a ballot over the "majority-minority" concept.

Mr Bolton, who unsuccessfully led a similar call at the union's conference in Durham this year, said: "This last ballot was a clear rebuff for the policies of Arthur Scargill and Peter Heathfield [NUM secretary]. Clearly, the membership wants negotiations with British Coal." Mr Bolton said British Coal had said it would sit down separately with the two unions.

Mr Alan Cummings, the north-east's representative on the NUM's national executive committee, said his area was against accepting British Coal's framework. He said he would like a ballot on the issue, with a firm recommendation to reject the British Coal's "majority-minority" concept.

He said that if the membership rejected British Coal's formula, the ball would then be in British Coal's court. Mr Cummings said that his union, armed with such a ballot result, would be in a stronger position if it called for a ballot on industrial action next year.

He said the NUM wanted a scheme where it could negotiate nationally on wages and conditions for all of its members.

Five years of no wage talks: NUM president Mr Arthur Scargill and secretary Mr Peter Heathfield in 1985

Barclays reinstates women it had retired

By Diane Summers, Labour Staff

BARCLAYS BANK has reinstated 12 women who were originally forced to retire from work at the age of 60. The move follows a ruling that the bank had been guilty of sex discrimination because it had allowed men in the company to work until they were 65.

In the first case of its kind, Barclays is to pay out to the women a sum of £160,000 for loss of earnings. It will also review retirement policy to check that it conforms with laws requiring all employers to have equal retirement ages for men and women.

The ruling will have implications for other employers, including other banks with numerous women staff. Organisations will need to examine the way they phase in equalisation of retirement ages if they are to avoid legal action, the Equal Opportunities Commission warned.

Mrs Stella James, who brought the case, started work at Barclays Bank in 19[illegible] when the staff retirement age was 65 for men and 60 for women. In 1973 the bank changed the retirement age to 60 for all future staff. However Mrs James – together with other employees who started work at the bank before 1973 – kept their old retirement age.

After a European Court decision in 1986 forcing the government to amend the Sex Discrimination Act, Barclays again changed its rules, allowing women and men above a certain grade to carry on working up to the age of 65.

Mrs James failed to qualify because she was not on a high enough grade, and she had to leave her job in 1988 when she reached 60. The other women now being compensated by Barclays found themselves in a similar position.

An industrial tribunal ruled in Mrs James's favour when she claimed sex discrimination, but the employment appeals tribunal later referred the case back. Barclays accepted the original industrial tribunal ruling last week at the Appeal Court and offered Mrs James nearly £19,000 and her job back.

Similar offers have also been made to the 11 others affected.

The case was backed by the EOC and Barclays Group Staff Union, which said it meant that many women now had the option of working up to 65.

Barclays said it was happy to welcome the women back.

Court backs pregnant job applicants

By Diane Summers, Labour Staff

A EUROPEAN Court decision in favour of a pregnant woman who claimed sex discrimination when she was turned down for a job has wide implications for UK employers, an employment law consultant has warned.

Mrs Elisabeth Dekker, who was pregnant, was recommended by an interview panel for a job as a trainer for Dutch company VJV-Centrum, but rejected by the company's management. Although all the applicants for the job were women, Mrs Dekker argued successfully that the refusal to offer her the post was contrary to the EC's Equal Treatment Directive.

Mr Tim Johnson, of consultants Coopers and Lybrand Deloitte, said that until now, UK employers have had to treat a pregnant woman in the same way that they would treat a man who was ill or otherwise absent from work. Now it seems the comparison should be made with a man (or woman) who is not pregnant.

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FINANCIAL TIMES CONFERENCE

CAPITAL MARKETS WORKSHOPS
London - 21, 22 & 23 November

The Financial Times/Price Waterhouse Capital Markets Workshops, now in their third successive year, continue to bridge a significant gap in management training. The programme provides intensive coverage supported by case studies of capital markets activities, ranging from underlying concepts through the specific markets and instruments, to practical guidance on key aspects of management and control of the business including operations, risk management and performance measurement.

Because of the participative nature of the Workshops, places are limited in order to allow maximum benefit from each session. Speakers are drawn from Price Waterhouse's Capital Markets Group and a panel of key individuals from organisations involved in capital markets activities including: Jonathan Britton of Swiss Bank Corporation, London, Tony Cooper of Hambros Bank Limited, Bob Fuller of Charterhouse Bank Limited, Jeffrey Evans of Westpac Banking Corporation, Richard Kilsby of Charterhouse Bank Limited, Richard Hines of Prudential Corporation plc, Chris Wingfield of Hill Samuel Bank Ltd and Jillian Nathan of the Chicago Board of Trade.

EUROPEAN BUSINESS FORUM - BUSINESS IN CENTRAL AND EASTERN EUROPE
Rome - 26 & 27 November

Once every two years the Financial Times arranges a high-level European Business Forum in Rome. Developments in the Soviet Union and in Central and Eastern Europe will be the principal theme for this year's agenda. The conference will interpret political and economic developments and will provide an authoritative briefing on the prospects for manufacturers, bankers and other business leaders as the former East Bloc economies open up.

Dr Guido Carli, Italian Treasury Minister has agreed, in principle, to give the keynote opening address on the political and economic scene in Europe over the next ten years and other contributors include: Ambassador Renato Ruggiero, Italian Foreign Trade Minister; Professor Ivan Ivanov, Soviet State Foreign Economic Commission; Mr Ferenc Rábar, Hungarian Minister of Finance; Mr Oleg Mozhaiskov of Gosbank; Professor Lutkowski, Adviser to the Polish Finance Minister; Mr Horst Krenzler of the Commission of the European Communities; Dr Franco Nobili of IRI; Dr Axel Lebahn of Deutsche Bank; Ing Paolo Cantarella of Fiat Auto and Dr Sergio Siglienti of Banca Commerciale Italiana.

PETROCHEMICALS IN EUROPE - THE NEW SCENARIO
London - 28 & 29 November

The Financial Times second Petrochemicals conference brings together a distinguished panel of top industry executives to debate the key issues of current concern. After seven years of strong growth, the international petrochemicals business enters the 1990s facing several pressures and a period of uncertainty and volatility. The conference will examine supply and demand, sustaining profitability, the challenges and opportunities in Eastern Europe and the impact of world oil prices on petrochemical operations. Mr Jim Gordon, Chemicals Co-ordinator of Shell International Chemical Company will deliver the opening address, and speakers taking part include: Mr Bryan Sanderson, Chief Executive Officer, BP Chemicals; Sir Denys Henderson, Chairman of ICI; Mr Abdulaziz Ibrahim Al-Audah, President of Saudi Methanol Company; M. Jacques Puechal, President of Atochem; Mr Simon de Bree, Member of the Board of Managing Directors, NV DSM and Mr Hugo Lever, Director General of CEFIC.

All enquiries should be addressed to: Financial Times Conference Organisation, 126 Jermyn Street, London SW1Y 4UJ. Tel: 071-925 2323 (24-hour answering service), Telex: 27347 FTCONF G, Fax: 071-925 2125.

MARSEILLES

Skill And Character.

It takes two hours to drive to Marseilles from the Côte d'Azur. The rocky coast, covered in pine trees, is beloved by yachtsmen because it is cut by deep, long creeks, or calanques.

Marseilles is the Mediterranean's largest port and one of Europe's important industrial centres. The surrounding region is more pastoral, but full of history and art. The Roman ruins at Nimes and Arles. The Van Gogh landscapes. The Camargue, with its marshes and wild horses.

Big ships and big factories moulded the personality of Marseilles. The city's industrial base is very diversified. Shell, BP, Arco in petrochemicals. Aluminium-Pechiney. Comex, the world leader in ocean drilling and exploration. Many software firms have sprung up in nearby Aix-en-Provence, while 33 % of the civil helicopters exported in the world are manufactured by Aérospatiale, the biggest high tech firm in the Marseilles area. The range of businesses extends from a large nuclear industry to the most modern farms.

With 3,600 full-time researchers, Marseilles is one of the leading European cities in industrial R & D. Firms can obtain space at the famous research centre of Luminy, or at the new technopoles of Chateau-Gombert and Arbois, tapping into such advanced research labs as the International Institute of Robotics and Artificial Intelligence.

Marseilles has many things to offer. Good telecommunications. An international airport with direct flights to New York and major European cities. Good schools and universities. Truly beautiful natural scenery close at hand.

And the character and zest of Marseilles and its region.

FRANCE

Regional Vigour.

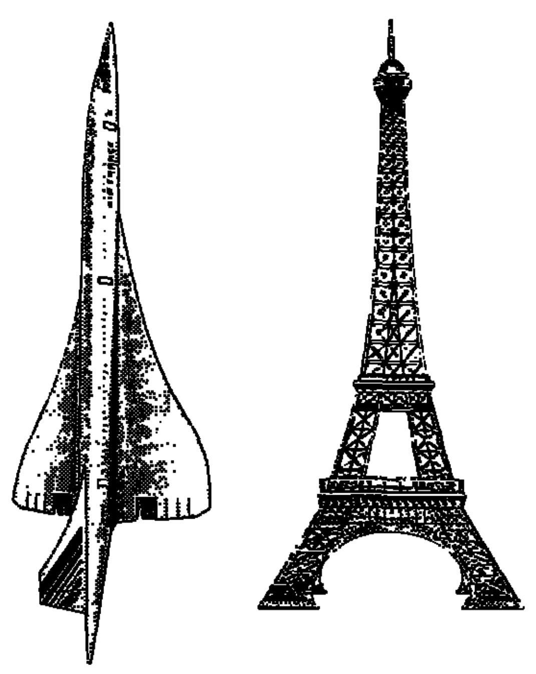
France is the heart of the new Europe that will be born on January 1, 1993. It is the place to be for a foreign firm that wants to operate in that unified market.

But France is also a country of 55 million freedom-minded individualists, and twenty-two regions that mirror the dynamism of the French people. No two regions are alike. All are historically interesting and culturally rich.

An association exists to help international companies sort out the pros and cons of France's regions. Its acronym is FRIEND (French International Enterprise Development Association.) FRIEND works for the benefit of foreign investors, in conjunction with the Ministry of Industry and Regional Planning. It also coordinates its activities with an umbrella organization at the national level called DATAR which in specific cases can offer tax and other incentives to foreign companies investing in France.

Here are brief sketches of four of France's regions and the opportunities they offer.

HIGH·TECH·HIGH·LIFE



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FRENCH RIVIERA

The Bright Way.

The movies have yet to communicate this reality, but the French Riviera is becoming a world centre for telecommunications and technological research. Over 70 multinationals are there, including DOW Chemical, IBM, Rockwell, Texas Instruments, DEC, and Nestlé.

Sophia-Antipolis, the famous Science Park near Antibes, already represents 700 companies and 11,000 jobs. The Park is about to double, covering a total area half the size of Paris. Over 25,000 experts from many nations will be conducting research, mainly in telecommunications, data processing, electronics, and pharmaceuticals. Sophia Antipolis III and IV will be built by the end of the century.

The Riviera also has 30 other business sites and ample plant and office space, all at competitive rates. A scenic highway links all coastal areas, and the Nice-Côte d'Azur International Airport — already France's second largest — has direct flights to the U.S. and Canada as well as major European cities.

The Côte d'Azur's economy is growing by 10 % a year, compared to 3.5 % for all of France. But this growth is being carefully monitored to honour the Riviera's beauty and minimize pollution.

Employees of the 55 American firms sited on the Côte d'Azur know the advantages of living and working there. Beaches on one side, the Alps on the other. First rate schools and universities. 40 museums and three symphony orchestras.

In the 21st century the French Riviera will undoubtedly be a technological showcase, but it will still be the French Riviera with 300 days of sunshine a year.

GRENOBLE ISÈRE

Success Is No Chance.

Located at the foot of the Alps, the area has motorways leading north and south from Paris and Geneva to Marseilles and Barcelona, as well as east and west from Lyon to Milan. The three national airports - Grenoble, Lyon and Geneva - provide frequent international flights. The famous "TGV" links regularly Grenoble to Paris in three hours.

One of the significant advantages of the Grenoble-Isère region is the quality of its exceptionally well-educated and highly-skilled workforce. The area has three universities, and eight engineering schools with a total of 36,000 students.

With such a pool of talent, it's hardly surprising that so many research institutes have decided to locate here. Among the most notable of these, which employ about 8,000 people, are the Grenoble Nuclear Research Centre, the Data Processing Technology and Electronics Laboratory and the Max Von Laue-Paul Langevin Institute.

Last, but not least, the European Synchrotron Radiation Facility is setting up researchers and plans to host 2000 scientists a year. Grenoble is the largest R&D concentration in France, after Paris.

International companies have also been drawn by Grenoble Isère attractiveness and quality of life. Cap Gemini Sogeti, SGS Thomson, Hewlett-Packard, the Open Software Foundation, to name a few, have located their operations in Grenoble.

The world-leading US workstation computer manufacturer, Sun Microsystems, has just decided to install near the city its International Centre for Network Computing.

NORD

PAS-DE-CALAIS

The Tunnel Gateway.

The Nord Pas-de-Calais is strategically placed to provide a platform for businesses determined to exploit the opportunities of the single European market after 1992.

Situated at the heart of western Europe, with close links with the dynamic economies of Rhineland Germany, Benelux and the Southeast of England, the region is ideally situated to provide access to the European Community's 320 m consumers.

The region's communications infrastructure is unequalled. The Nord-Pas-de-Calais already has six motorways running north-south from Amsterdam to Paris and east-west from the channel port of Calais through to Reims.

By May 1993, when the channel tunnel is completed, the region will represent the golden-hub of the European TGV high-speed train network. The Nord Pas-de-Calais will benefit from the additional traffic generated by the tunnel. The operators expect between 30 m to 40 m passengers and 15 m tonnes of freight to pass through the tunnel in its first year. And the ferries, hovercraft and aircraft which carried 67 m passengers in 1988 will, of course, continue to operate. Lille, the region's capital, will soon be offering direct train services capable of 190 miles per hour to destinations such as Brussels, Amsterdam, Paris, Cologne and London.

In addition, the region will provide direct 50 minute services to Charles de Gaulle airport, Europe's second largest and fastest growing international airport.

A highly-educated, efficient and well-motivated workforce is at your disposal in the Nord Pas-de-Calais. The region boasts five universities - which have a bias towards science and technology subjects - as well as 19 schools of engineering and colleges of technology.

At the heart of this exceptional region is the European Business Centre at Lille. The city is planning to provide offices, shops, homes and a World Trade Centre on a 110 hectare site located right next to the TGV station. The first phase, consisting of 55,000 square metres, will be ready in 1993.

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THE CHALLENGE TO THATCHER

Prime minister repeats defiance of Delors plan

MRS Margaret Thatcher's weekend message to the country and the 372 Tory MPs who form the electorate in tomorrow's leadership contest was straightforward and typically defiant.

Her opposition to the Delors plan for a single European currency was implacable and, if necessary, she would consider a referendum to test the views of the British people, she said.

As her campaign managers continued to voice confidence that Mrs Thatcher would win the race on the first ballot, the prime minister said she would "fight and fight" to retain the leadership.

The clear implication was that even if Mr Michael Heseltine did force a second round of voting, she would ignore any suggestion that she should stand down.

She refused to discuss directly Mr Heseltine's manifesto, but took sideswipes at his proposals for a radical overhaul of the poll tax and for a more interventionist approach to industry.

The Prime Minister also rejected bluntly the charge laid by Sir Geoffrey Howe that she lived in a "ghetto of sentimentality" about Britain's place in the world.

In interviews with The Sunday Times and The Sunday Telegraph, the prime minister also underlined her conviction that the single currency proposed by Britain's European partners would have fundamental constitutional implications.

Those implications – implying a large transfer of power from parliament – meant that the government should keep open the option of a referendum on the issue. The question, Mrs Thatcher suggested, would be simple: did the British people want to swap the pound for a single European currency?

The possibility of a referendum has been raised by the prime minister before, but the timing of her latest comments surprised some of her own ministers yesterday.

It won support from Mr Norman Lamont, chief secretary to the Treasury, who shared Mrs Thatcher's deep misgivings about the implications of a single currency. Some other ministers also thought the idea deserved attention.

Mr Douglas Hurd, the foreign secretary, has however made clear that he is deeply sceptical about the idea. He told a meeting of the party's backbench committee of MPs on Europe that it was not "agreed" government policy.

Mrs Thatcher emphasised that it was far from certain that Britain's partners would go ahead with the current Delors plan, telling The Sunday Times that there was "no reason to think that we have lost this battle in any way".

The government's alternative proposal for a "hard Ecu", which could evolve first into a common currency and then into a single currency, was one that could unite everybody without pre-empting the final result.

She rejected, too, Mr Heseltine's charge that she was not prepared to operate the traditional system of cabinet government. It was the former defence secretary who had refused to accept collective responsibility and nobody had ever been afraid to put a point to her. "They know I thrive on argument."

Philip Stephens

Time running out for hard Ecu proposal, Page 20

Opposition heads discount polls

OPPOSITION leaders yesterday shrugged off weekend opinion poll figures that suggested that the Conservatives under Mr Michael Heseltine might seriously reduce both the Labour and the Liberal Democrat vote in a general election.

Officials of both parties said the findings were merely a temporary phenomenon, enhanced by media attention on the leadership race.

None the less, there seems little doubt that Mr Heseltine's poll boost at the weekend has somewhat reduced the satisfaction of the opposition parties at turmoil within the Tory party.

Dr John Cunningham, Labour's campaigns co-ordinator, yesterday ridiculed Mrs Thatcher's hint that she might advocate a referendum on a single European currency, arguing that there might equally be one on the poll tax or changes in the NHS.

"Indeed, why not have a referendum on Mrs Thatcher's period in office, namely a general election?" he asked, adding: "The country does not need a Heseltine coup d'etat. It needs a Labour government."

Liberal Democrat officials also dismissed poll evidence of a Heseltine premiership "squeezing" its support.

Mr Paddy Ashdown, the Liberal Democrat leader, said: "The leadership battle is only adding to confusion about the Conservatives policy on Europe. Neither candidate has a vision that would put Britain in the European mainstream."

Meanwhile, on television and radio, Cabinet ministers continued to rally round the prime minister. Both Mr Norman Lamont, the chief secretary to the Treasury, and Mr Cecil Parkinson, the transport secretary, downplayed the polls.

Mr Lamont insisted that it would be the state of the economy that decided the the Conservatives' fate at the election, while Mr Parkinson said Mr Heseltine was "fundamentally unsound" on economic issues.

Mr Parkinson also endorsed Mrs Thatcher's view that a victory by one vote would be sufficient to settle the contest.

However, Mrs Edwina Currie, the former junior health minister, said Mrs Thatcher's supporters should "consider very carefully" how to protect her reputation for courage, foresight and dignity if she were forced to a second ballot.

Ivo Dawnay

Heseltine sets out European vision

MR Michael Heseltine yesterday spelt out his vision of Europe. He warned that Mrs Thatcher had such strong views on the subject that she found collective responsibility "unacceptable".

He defended his plans to review the poll tax, spoke of the need for a new partnership to end the "debilitating war" between central and local government, and talked about his resignation from the cabinet in 1986.

In an interview for BBC television's On the Record programme, Mr Heseltine said he believed that most of the Tory party would unite around acceptance of "umbrella" legislation, agreeing in principle to economic and monetary union, but reserving a veto for a future parliament about if and when the UK should take part.

Mr Douglas Hurd, the foreign secretary, and Mr John Major, the chancellor, would both endorse that, he said.

However, when asked about Mrs Thatcher's view that Emu was not a matter for the current parliament, he responded with an attack that implicitly cast doubt on hopes that she would consult senior colleagues more on Europe in the future.

"Is parliament not to be allowed to consider these matters? Has cabinet got no role in these things? . . . The prime minister feels so strongly on these matters that collective cabinet responsibility on this issue is not acceptable to her."

He also rejected the idea of a referendum on Europe, saying he did not think a suitable question could be devised, and that he did not believe the British found referenda an attractive form of government.

On the poll tax, he said Mrs Thatcher was wrong to have claimed that putting education spending back to central government funding would lead to higher taxes. The move could be phased in, using the proceeds of economic growth which the Mrs Thatcher's own chancellor was expecting.

He said he had never differed from the government on the need for proper management of the economy.

Mr Heseltine said some central government money should flow to local authorities only if the directly elected local "chief executives" he proposed could show they would use it to improve standards.

Recalling his resignation from cabinet over the Westland helicopter company, he said it was the only time he could remember "the prime minister reading out the conclusions of a meeting . . . which had not taken place.

Having been denied his constitutional right of putting his case to cabinet, he said, "I folded my papers and said . . . I cannot remain a member of this government", departing so quietly that a number of ministers were not sure what had happened.

While unhappy with the label "paternalist", he said that those who had the privileges of capitalism should understand the responsibilities and obligations upon them.

Mr Heseltine said that he appeared to have "a particular feel" for people who used to vote Tory but would not do so again unless there was a change of leader. People seemed to want "a new dimension, a new Tory face, a new way of explaining how we can go forward".

However, he was still loyal to the party. If Mrs Thatcher were leader at the time of the next general election, he would "travel to the four corners of the world to secure her re-election and prevent Neil Kinnock entering Downing Street".

Alison Smith

Ashley Ashwood

Michael Heseltine with wife Anne and children Rupert, Annabel (second left) and Alexandra

Polls back claims of challenger's popularity

OPINION POLLS in yesterday's Sunday newspapers bore out Mr Michael Heseltine's claims that he can give the Tory party greater electoral popularity.

Consistently they showed that if Mr Heseltine were leader, the Tories' current deficit in the polls would disappear, and they would lead Labour by anything between 1 and 10 percentage points.

The results found that Mr Heseltine's support was particularly strong among the young, and among people who had voted Conservative in 1987 but did not intend doing so again while Mrs Margaret Thatcher remained the party's leader.

Mrs Thatcher's supporters, however, said that at a time of mid-term difficulties, the polls were bound to reflect enthusiasm – which might well be short-lived – for a different leader.

The surveys consistently found the Liberal Democrats' support around 11 to 13 per cent, but losing a couple of points to a Heseltine-led Tory party.

In a survey for The Sunday Times, Mori found Labour, on 48 per cent, with an 11-point lead if Mrs Thatcher continued as Tory leader.

However, Mori found that a general election tomorrow with the Tories under Mr Heseltine would leave Labour 1 point behind on 43 per cent, to the Tories' 44 per cent.

A Harris poll in the Observer showed, similarly, a Heseltine-led Tory party on 44 per cent, 1 point ahead of Labour. Led by Mrs Thatcher, the Tories would trail Labour by 34 per cent to 49 per cent.

For the Sunday Correspondent, ICM found Labour in the lead with 49 per cent, with the Tories at 37 per cent, if Mrs Thatcher remained the party leader, but that a Heseltine succession would secure the Tories a clear lead over Labour, with 48 per cent to Labour's 40 per cent.

The NMR result in The Independent on Sunday gave a different slant, with Labour's lead cut to just 2 points and the Tories on 42 per cent, even with no change of leader. The Tories' rating had improved by 10 points on its level of a fortnight ago.

Along with its higher level of Tory support under the present leadership, the same poll found the widest lead – 10 points – for the Tories if Mr Heseltine were their leader, giving them 49 per cent to Labour's 39 per cent.

An NOP poll of the 55 most marginal Tory seats suggested that under Mr Heseltine, the Conservatives would retain them all, while they would all be lost in a general election under Mrs Thatcher's leadership.

The poll showed that a change to Mr Heseltine would transform a Labour lead of 12 points over the Tories' 36 per cent into a Tory lead of 7 points over Labour's 40 per cent.

Tory MPs hoping for a second ballot and the entry into the leadership contest of some other candidates may have been surprised at the lack of electoral enthusiasm the polls suggested for such senior figures as Mr Douglas Hurd, the foreign secretary, or Mr John Major, the chancellor of the exchequer.

Alison Smith

City sees sterling up if PM wins

STERLING would show modest gains after a clear victory for Mrs Thatcher in the Conservative leadership contest, but faces an uncertain future in the event of either a win for Mr Michael Heseltine or a result that left the prime minister badly wounded, a City poll shows.

A forecast based on a survey of 30 UK and 15 foreign-owned City institutions on Friday by Idea, the financial consulting company, suggests that if Mrs Thatcher was the clear winner, sterling would gain around 3 pfennigs from Friday's London closing level of DM2.89 to DM2.92 – still below sterling's DM2.95 central rate in the EMS exchange rate mechanism.

If Mrs Thatcher wins but is "mortally" wounded, the forecast points to a further fall in the pound to around DM2.88, while a Heseltine victory would leave sterling little changed at DM2.90.

Peter Norman

Tory leader keeps her mind on world affairs

MRS Margaret Thatcher will be preparing for a ballet and then dinner at the opulent Palace of Versailles when the results of the Conservative Party's leadership contest are announced tomorrow.

The sumptuous evening's entertainment, attended by 34 heads of government, will be the social climax of a French-hosted conference marking the end of the cold war in Europe. Mrs Thatcher will hope – and she was still confident yesterday – that it will not also mark the end of an era in British politics.

The Conference on Security and Co-operation in Europe gives the prime minister a chance to play the world statesman with at least half an eye on the domestic audience. She will breakfast today with President George Bush and is expected to meet President Mikhail Gorbachev before the conference closes on Wednesday.

While her campaign managers at Westminster lobby furiously before tomorrow's vote, Mrs Thatcher will concentrate on subjects such as the future of western security, the emerging democracies of eastern Europe and tensions between Nato and the Warsaw Pact.

Mrs Thatcher will not be able to escape domestic battles entirely, however. Her political future is likely to feature high on the questions of the international media corps in Paris – if not also at the series of bilaterals she and other government leaders are expected to hold this week.

Mr Douglas Hurd, foreign secretary, may also find himself distracted by domestic politics at the series of meetings he has planned in the French capital this week.

Paris has provided a grand backdrop. The Kleber international conference centre has had a temporary space-age exension added; tomorrow night's dinner is being held in Versailles' hall of mirrors.

It will be a stylish way to fight an election.

Ralph Atkins

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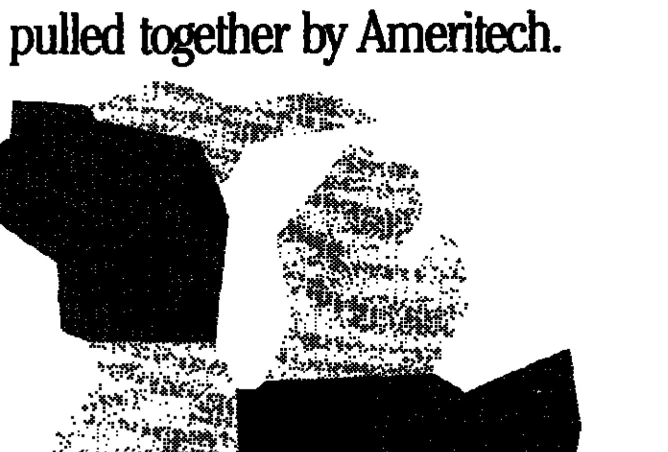

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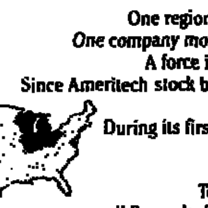

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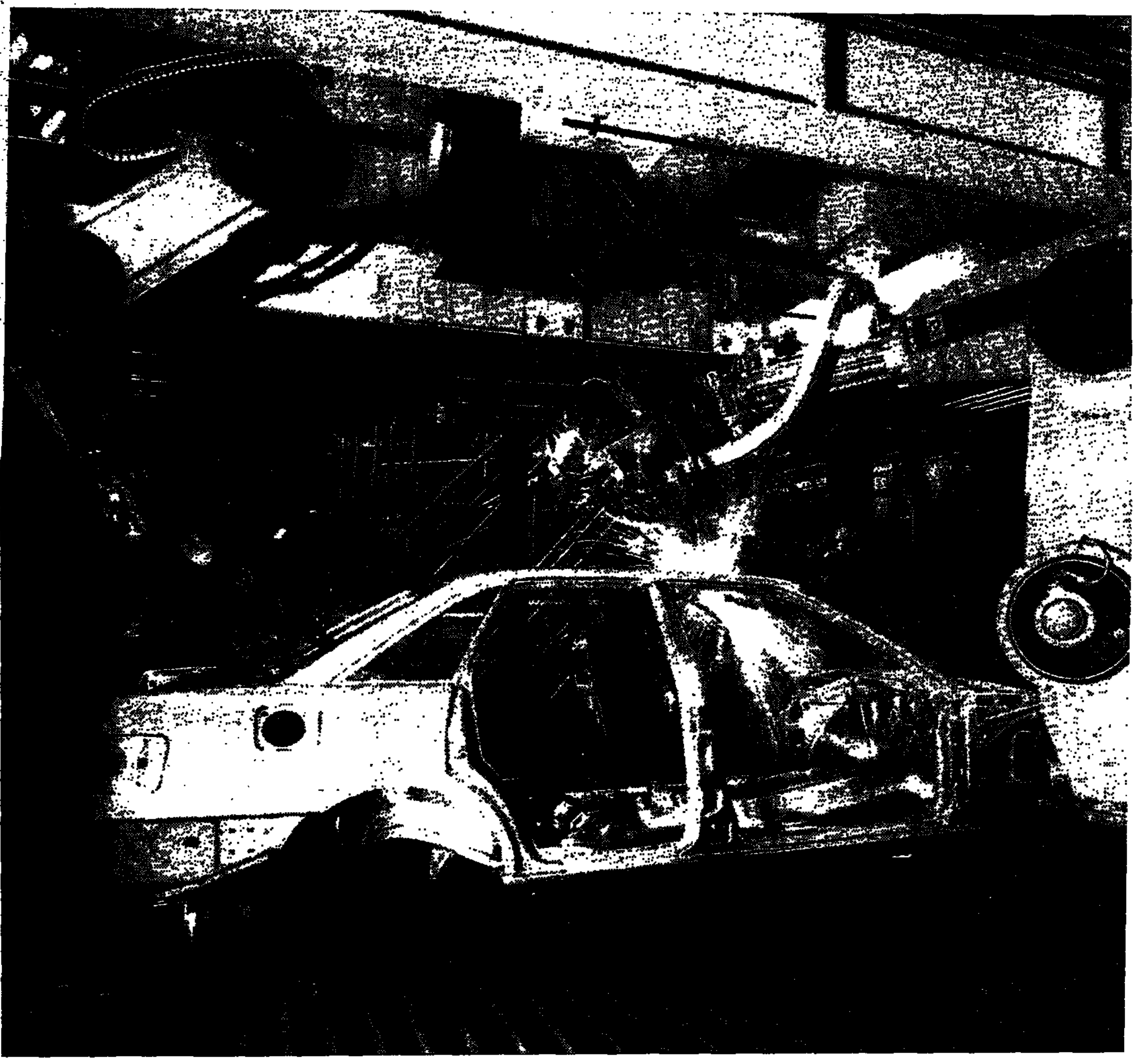

Every Audi is unique. Even cars of the same model have differences in equipment, and keeping track of them is vital. At Audi these equipment differences are encoded and printed on adhesive labels which are then placed inside the boot and in the vehicle's service handbook. Any subsequent repairs or parts replacement are thus made much easier.
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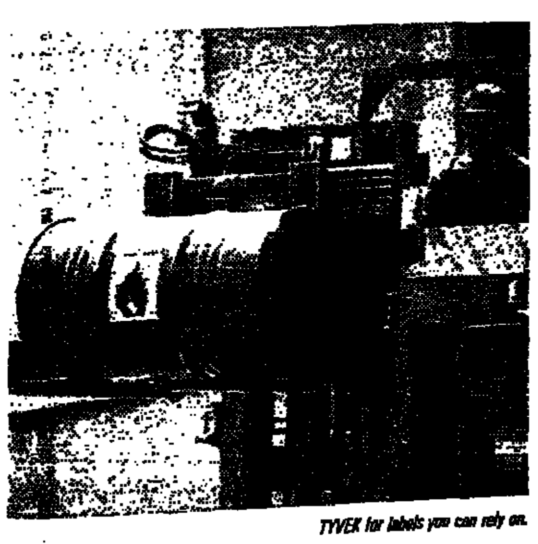

TYVEK for labels you can rely on.

parts if no-one knows what they are? And chemicals that have lost their identity can be downright dangerous if wrongly stored or handled. It is because of the exceptional physical and chemical resistance of TYVEK and the labelling integrity it provides, that it is specified by such leading companies as Ciba-Geigy, ICI and Schering.

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Paper road maps, city plans and marine charts are great when they are new. But after a while they start to tear at the edges and fall apart at the folds... and if you get them wet they're simply unreadable.
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Maps made of TYVEK are tear-resistant and waterproof.

This remarkable durability is why TYVEK is specified by many leading map makers, including Edison Cartographiques, Maritimes and Delfino Editrice, and why the yachtsman's "Blue Book" of Mediterranean ports is printed on TYVEK.
Few things take more of a beating than children's books and games... and few materials can take the punishment better than TYVEK. Which is why, for example, Ravensburg Games use it to extend the life of their products.

Tyvek delivers, safe and sound.
When you send something by mail or courier you want it to arrive in the same condition as when it was sent.
Envelopes of TYVEK resist pilfering or accidental exposure of the contents through tearing, puncturing, bursting and abrasion. Add to these qualities their postage-saving light weight, water resistance and high-quality appearance, and it is little wonder that they are the primary choice of many banks, insurance companies and legal firms.
No surprise, either, that courier services such as Federal Express, and several postal authorities use envelopes of TYVEK for their important and urgent deliveries.

Packed safely.
TYVEK's special properties of strength, security, chemical and physical resistance and light weight offer many advantages to the packaging industry. Its versatility is useful, too: TYVEK can be printed, diecut, laminated, heat-sealed, bonded with adhesive and stitched. Its smooth surface is perfect for record and floppy disc sleeves, while its air permeability allows products to be gas sterilized, making it ideal for sterile packing applications.

Long-lasting legibility plus people protection.
Labels, envelopes and packaging are by no means the only uses for TYVEK.

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TYVEK keeps valuable documents safe in transit.

And TYVEK protects people, too. Wherever there are hazardous work situations such as asbestos removal, chemical clean-ups, crop or paint spraying, or hospital surgeries and high-tech clean rooms, protective clothing made of TYVEK is available for a wide variety of applications.

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MANAGEMENT

Cap Gemini Sogeti

Making the parts contribute to the sum of the whole

With a burst of 20 acquisitions behind it, the French computer services group is reassessing its structure. **William Dawkins** reports

All too often, companies in fast-developing sectors fail to adapt early enough to customers' changing requirements in the way they organise themselves.

By the time they do, it can be too late, with the result that a more flexible competitor sweeps in. Cap Gemini Sogeti (CGS), the leading French company in the fast-changing and fragmented computer services industry, is keenly aware of this risk. It is thinking about how to adjust right now.

Grenoble-based CGS has spent more than FFr 5bn (£515m) on 20 acquisitions over the past six years, including its biggest ever, Hoskyns, the leading British computer services group, and SCS of West Germany last July. In the process, it has turned itself into Europe's largest computer services group by a long way, with a FFr 9bn turnover – 7 per cent of the European market – and FFr 630m net profit forecast this year.

Its nearly 20,000 staff make CGS more than twice the size of the nearest European competitor, the Franco-British Sema group. With its new size and international scope, CGS is now undergoing an internal review of where to go next.

The question is whether the highly decentralised style of organisation that successfully brought it this far is the right one to take CGS through the 1990s. What lies behind the answer – that CGS would probably do well to co-ordinate more of its activities centrally – is important to any business which has customers working increasingly across European borders.

Philippe Gluntz, the CGS director leading the European re-think, puts the problem with engaging simplicity: "We are not so very different from any group of fairly independent businesses that sell what they make and make what they sell.

"But at some point, your customers start wanting to get the same service from the same organisation wherever they are. They also start to become integrated across Europe. We have to be able to act like counterparts of our customers and commit the whole group to one contract."

He is well equipped to understand the practical challenges of transforming a European group from a collection of national units into a more co-ordinated organisation.

For Gluntz, 50, has been through exactly the same process at Générale de Services Informatiques, a medium-sized French software group of which he was deputy managing director until 1986, and more recently at Alcatel, Europe's largest telecommunications equipment producer. It was from Alcatel that Serge Kampf, CGS's founder, headhunted him last July, driven by a feeling that the European single market would change CGS's business in a way that he could not yet define.

"The move away from being only a group of domestic companies is a major one. It takes time and diplomacy ... Our branch managers are in charge of quasi-independent companies, almost as if they were their own employers. Now they will have to co-ordinate even more with the rest of the group," Gluntz adds.

Operating from a very small head office, CGS has so far used the lightest possible controls to handle the affairs of its 28 autonomously managed subsidiaries in 14 countries. These controls consist mainly of a short list of common values and practices, which usually apply without serious problems because CGS only makes agreed takeovers.

"Because our staff are our only real assets, a hostile takeover would make no sense to us," explains Michel Berty, CGS secretary general. These values are communicated through a busy seminar programme, 50 meetings a year, taking in 500 managers.

CGS is about to extend this by creating a training centre, christened CGS University, in a castle in the wooded countryside south of Paris. "It will be our own space where we can spread our own values, which are not French, but CGS," says Berty.

The main practical point in CGS's business code is that no subsidiary can collect commission income on computer equipment purchases clients make on its advice. This policy is designed to present CGS advice as independent of any manufacturer.

The question is whether the highly decentralised style of organisation that successfully brought it this far is the right one to take CGS through the 1990s

A growing number of computer makers, led by IBM, is expanding into computer services to counteract the pressure on margins suffered by equipment sales. Even so, new CGS acquisitions have sometimes found it hard to throw away what had been a valuable source of income, says Berty.

On top of that, the group insists on no division between sales and production, a split which Berty argues is only suitable for industrial companies. "We don't really have identifiable products, so there is no point in this division. Customers like to speak to people who are fully responsible for sales and production," he says.

The staff of SCS, the recent German acquisition, are even now having to learn to take responsibility for both functions for the first time in their lives. "It's a revelation for them. They are reacting very positively," claims Alain Lemaire, chairman of Cap Gemini's European division.

The group uses harmonised accounting rules across its subsidiaries – so that they each speak the same financial language – and has insisted since 1986 that all major internal meetings must be in English.

The other main ingredient in what Berty calls the company "cement" is a very simple hierarchy. There are only four levels of responsibility, from the branch director – typically in charge of 50 to 60 staff – through the divisional, then regional, up to group director.

This makes vertical communications easy, so that a branch director can get quick agreement to negotiate a contract that might be outside his normal limits, but means communications across branches are far more cumbersome.

Typically, branches have taken responsibility for their geographical areas, within which individual staff might specialise in individual producers' systems.

This has already started to change in favour of specialisation by business sector, like banking or car production, as customers' needs have changed. Apart from their own growing internationalisation, customers have also grown more sophisticated.

Traditionally, the bread and butter of CGS's business was the provision of general technical back-up for customers' data processing departments, which now represents more than half its workload and for which small generalised agencies are ideal.

But the most profitable and fastest growing part of the business – now bringing in a third of orders – comes from companies that want CGS to design and set up a specific project, explains Lemaire. "For that, you need staff with a deep knowledge of the customer's sector, which implies a larger agency."

The European market, led by France, is moving faster this way than the US, where the typical CGS branch continues to offer a general service. Next is the Netherlands, where CGS last year reorganised six agencies along sector lines, replacing the old geographical partition. (This incidentally parallels the reorganisation IBM announced for its European businesses in July.)

What remains for CGS is the challenge of how better to tackle projects beyond the scope of individual branches or even countries, like the redesign of the global data networks of several US and UK oil companies and the computer system for a US car maker's European distribution network, to take two recent CGS contracts.

Until a year ago, such projects were dealt with case by case between branches and head office. They are now handled by a new central organisation, Cap Gemini International Support Group, which also embraces group research and development. "It is one way of doing it, but it is not the only solution," says Gluntz.

Other options include complete reorganisation into business sector, or simply greater head office co-ordination.

Gluntz has already had time to interview most of the top management plus a representative cross-section of branch managers since his arrival – and the initial response is broadly positive. "People feel the need to introduce a new type of organisation," he says. "But they are afraid that it might hamper the crucial factor for success," by which he means the decentralised style under which Cap Gemini's independently-minded boffins have so far flourished.

It is a supremely sensitive job; and Gluntz has a lot more research to do before he tables plans for the as yet undefined organisation changes which Cap Gemini expects may come out of this process in the next one to two years.

Above all, Gluntz wants to protect the autonomy that is so precious to Cap Gemini's subsidiaries. "It is not immediately urgent," he says. "But in the longer term, it is a question of making sure that we do not leave an important part of our market out of reach."

Michel Berty

Alain Lemaire

Philippe Gluntz

"At some point CGS customers start wanting the same service from the same organisation wherever they are"

The paradox of free markets

Charles Leadbeater on corporate alliances

The collapse of Communism has been heralded as the historic triumph of markets over planning. Yet as finance ministers in eastern Europe have rushed towards market reform to solve their countries' economic difficulties, senior executives in leading capitalist companies have arguably been heading away from the market.

For in the last decade capitalism has gone through its own upheavals, albeit far less dramatic and apocalyptic than events in eastern Europe. One of the main developments has been the growth in alliances between companies.

Alliances are often loose arrangements between companies, set up most often to trade information about technology and markets. An alliance is not governed by the kind of planning which runs the internal affairs of large companies. The allies are independent partners. But equally alliances are not governed by market transactions, in which a price is paid for a quantifiable parcel of technology or marketing expertise.

Alliances stand between markets and planning as a way of co-ordinating the activities of companies. Indeed as a recent paper by Ashoka Mody, an economist at the World Bank, shows, alliances are in part a response to the limits of both markets and planning.

The paper argues that information about technology and markets is becoming more important in the way companies compete. This is largely because of the quickening pace of development in technologies and products. Companies cannot get all the information they need from within their own planned organisations. So they have to go outside to get it.

However, as with many intangibles, the market for information is very under-developed. It is not easy to purchase the sort of information companies require to develop a new product. It is very difficult to put a price on the value of information particularly when it is going into a new product with an uncertain return.

An alliance in which two companies share information on product development is a hedge against paying the wrong price for information. Companies form alliances to get the sort of expertise and information required, without risking paying too much for information which eventually turns out to be worthless, or demanding too little for information which turns out to have great potential.

As the relationship is not governed by an exchange of a sum of money for a service, the allies have to rely upon barter and negotiation to make their alliance work.

Alliances to trade information are going to become more important as companies grapple with the uncertainty of product development. In seeking to accelerate it in order to launch new products more frequently, companies are attempting to minimise their dependence on mature products with low returns.

However, uncertainty is at its height around the introduction of a new product. So to be successful companies have almost to court extreme uncertainty. In an attempt to minimise this uncertainty they have to draw on a wider range of resources, particularly information, than is available within their own company.

As alliances are one way of reducing uncertainty they are becoming more common. Successful companies will have to rely more upon alliances, non-market mechanisms, to co-ordinate their activities.

The conclusion for government industrial policy is that networks of alliances should be encouraged because they promote the diffusion of information, allow a single company a wider range of options to choose from in terms of technology or marketing and thereby increase the efficiency of the economy as a whole.

That recommendation that non-market mechanisms will be essential to the development of the leading industrialised economies will seem rather odd to economists in eastern Europe who now believe the more liberalised the market, the more efficient the economy.

Learning through alliances. World Bank, 1818 H Street NW, Washington DC 20433.

LEGAL COLUMN

After PR, firms tackle the need for marketing

By **Robert Rice**, Legal Correspondent

AFTER SURVIVING the attentions of the public relations industry, law firms are now being told that they must market themselves and their services. The message is stark: those which do will survive and prosper; those which do not will wither and may well die.

The need for an effective marketing strategy is even more essential during a period of recession, they are told, and it applies right across the profession from the very small to the very largest firms.

That is all very confusing, especially for those firms which thought that was precisely what they were doing by hiring PR consultants.

It is also largely discounted by the top commercial law firms. Some of those now employ full-time marketing professionals, but most of them nevertheless continue to adopt the view that their reputations and the quality of their work speak for themselves.

Even in times of recession, when, for example, there is less mergers-and-acquisitions work about, many of them remain of the view that they are safe from the full effects of any economic downturn because historically when the market for legal services contracts, business flows to the top.

Mr John Grieves, senior partner of Freshfields, for example, refers to this phenomenon as the "flight to quality". He does not pretend that law firms are immune from recessionary pressures, but the extent to which they are affected will depend very much on the mix of their practices, he says. In the present downturn some firms (D. J. Freeman & Co, Richards Butler, McKenna & Co) have already taken the decision to lay off lawyers in their commercial property departments.

Some of that may mean firms need to market their services, he concedes. The quality of the firm's work remains the surest way of attracting business, "but you've also got to make people aware of what you have to offer, particularly if you go into new areas of work altogether".

Taking just one element of the typical marketing mix – price – can we expect to see the top commercial firms competing?

Historically, Mr Grieves says, senior law firms have always competed on performance and the quality of their service. At the top end, that will continue because what people really want is value, and if you are perceived as giving value they are prepared to pay for it, he says.

In other words, no. But, given that you might expect to get the same answer from any of the top law firms, how are potential clients to differentiate between what Freshfields has to offer and, say, what Slaughter and May has to offer?

The firms that thrive . . . will be those which market themselves properly

It is very difficult for the top firms to differentiate themselves, he says. They may have strengths in different areas, but unless a firm is doing something quite noticeably different (in Freshfields' case its European strategy is certainly different from that being followed by Slaughters and Linklaters at the moment), then it comes down to people.

In other words, a firm's culture is what will distinguish it from another. Again, that is an argument you would expect to hear from any of the top firms. That does not make it any less valid, but, as any marketing professional will tell you, it is extremely difficult to sell culture as a positive point of differentiation.

Why is it that law firms do not compete on price or adopt pricing strategies except in such areas as conveyancing?

There is no doubt that what clients are looking for in legal services is value and that they are prepared to pay for the best advice available. Yet it is a fair bet that businesses would not mind paying less for that value if they could get it for less.

Why is it that, give or take a pound or two, directly competing law firms of comparable size and standing have the same hourly charging rates in each of the different areas of work they undertake? To the outsider, that must look suspiciously as if there is a cosy little price-fixing cartel in operation.

It is a shame that the Law Society's governing council has just narrowly rejected a professional standards rule that would have made it compulsory for solicitors either to disclose their charging rates to clients in advance of a taking on a case, or to quote a fixed fee for the work.

Some firms already follow such a practice. Enabling clients as a matter of course to compare prices would surely inject a greater measure of competition into the provision of legal services, which could only be beneficial for the consumer in the long run and ultimately therefore for the profession itself.

Perhaps the time has come for the Office of Fair Trading to take a long, hard look at solicitors' fees and charging practices.

Most firms are by now aware that there is more to marketing than raising the firm's profile through seminars, brochures, press coverage, lunches and general hospitality.

There is still considerable ignorance among solicitors about precisely how to go about giving potential clients reasons to choose their firm rather than a competitor's. It is all very well to talk about the need for law firms to market themselves, but what precisely does that involve?

Mr Conrad Free, whose P. FOUR marketing consultancy has in its first year pulled in an impressive list of blue-chip clients, including IBM, Barclays, Prudential and the Department of Trade and Industry, not unnaturally advocates that lawyers need the help of outside marketing professionals.

Overcoming the temptation to dismiss that out of hand on the basis that "he would, wouldn't he", it is clear that he is right.

Employing full-time marketing professionals and developing a sophisticated marketing operation of its own is not a viable proposition for most law firms.

On the other hand, it would be folly for most lawyers armed with just a little knowledge of what is involved to set about developing a marketing strategy on their own.

It is not hard to believe Mr Free when he says it is extremely unusual to find a lawyer who can define marketing even at its simplest level. Yet why should they be able to? Lawyers are experts in the law. How many marketing experts could explain the difference between leasehold and commonhold?

There is a serious point in this, however, in that, at many firms, there may well be internal resistance among partners to the idea of someone who is not a lawyer (and by inference, someone who knows nothing about the way the legal profession works), coming in and telling solicitors what services they should be selling to which clients.

Mr Free's answer to that is that good strategic marketing is the foundation of all successful businesses.

What, then, can marketing consultants do for law firms? They will carry out research and analysis of the firm's market for its services and make a detailed assessment of client needs. They can identify the strengths and weaknesses of competitors; ascertain whether the current range of services offered by a firm matches client requirements; identify future trends in the market for legal services; draw up a strategic marketing plan to meet specific goals; and help to implement that both internally and externally.

Mr Free entirely endorses the view that the law firms that thrive during the 1990s will be those which market themselves properly. The market for legal services is changing all the time, he says, and firms that fail to change with it will fall behind.

He rejects the suggestion that the legal profession is in danger of abandoning its professional standards and of becoming just another business. A profession must be profitable, and the only way to achieve that is to adopt a commercially minded approach to the practice of law.

Ultimately, he says, if the profession does become more commercially minded the consumer of legal services will get better value for money. Why? Because price will come into the equation.

Much the same as us no doubt. Weekend FT's Norma Cohen found that Harrow, Rugby and Marlborough were marked 0 out of 10 by head teachers ranking the top independent schools - the list was a real eye-opener. Barbara Conway helped small businesses cut through the jargon and

What did you get up to this Weekend?

techno-fear of choosing a computer. Nick Garnett met the communist turned capitalist who's tarnished his reputation as "the most dangerous man in Britain". Daniel Green discovered amazing country walks just 10 minutes from the hub and hubbub of Hong Kong. Edmund Penning-Rowsell enjoyed one of the world's rarest white wines... and so it went on.

If your Weekend was a little less colourful, pick up a copy of the Weekend FT next Saturday and join us.

Weekend FT

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ECONOMICS

Leadership row puts focus on UK

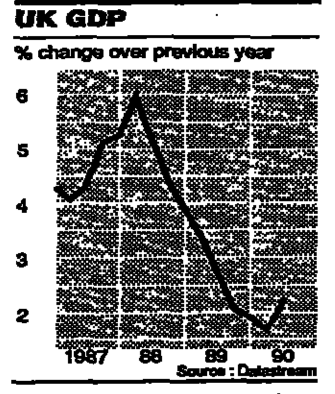
THE attention of financial markets will focus on Britain this week, not because of the economic releases that are due, but because of the leadership election in the ruling Conservative party.

Shortly after 6 o'clock tomorrow, the world will know whether Mrs Margaret Thatcher has beaten off the challenge of Mr Michael Heseltine. The alternatives are a new prime minister after 11½ years of the Iron Lady in Number 10 Downing Street or a further ballot in the leadership contest.

Today the government is expected to provide the first comprehensive official indication that economic output in Britain is declining.

The preliminary measure of gross domestic product is expected to show a 1 per cent decline in the third quarter compared with the second quarter, according to a consensus of analysts' forecasts compiled by MMS International, the financial research company.

One quarter's decline in GDP will not constitute a recession.



For that, output, expenditure and income will have to fall in the present quarter as well. Moreover, third-quarter GDP is still expected to be 0.7 per cent up on the third quarter of 1989.

Another indication of Britain's economic slowdown is due tomorrow with the publication of the provisional money supply figures for October. According to the MMS consensus, these are expected to show that growth of M0, the narrow measure of money supply targeted by the Treasury, was an annual 3.9 per cent and therefore well within the government's 1 to 5 per cent target range.

On Thursday, Britain's current account and visible trade figures for October will be published, with market expectations pointing to deficits of one billion pounds in each category.

The week is likely to be a fairly quiet elsewhere.

In the US, October housing starts on Tuesday are the only important indicator due ahead of Thursday's Thanksgiving Day holiday.

On the continent, analysts will be looking at French trade and GDP figures on Friday to assess how badly the economy has been hit by the rise in oil prices since the Iraqi invasion of Kuwait.

Other statistics and events (with MMS consensus forecasts in brackets) include:

Today: UK, third quarter manufacturers' and distributors' stocks. France, September industrial production. Belgium, EC economic and finance ministers meet in Brussels to discuss abolition of fiscal frontiers and economic and monetary union.

Tomorrow: US, October housing starts (1.1m), October building permits. Japan, October money supply (up 11.5 per cent), September personal income and consumption expenditure. UK, Provisional October M0 (up 0.1 per cent on month, 3.9 per cent on year), M4 (up 0.5 per cent and 14.4 per cent), M4 lending (£4.2bn).

Wednesday: US, October import and export price indices. Canada, September inventories to shipments ratio (1.53:1), seasonally adjusted retail sales (up 0.2 per cent on month), unfilled orders (up 0.4 per cent).

Friday: US, October Treasury Budget, money supply for week to November 12, October bank credit and commercial and industrial loans. UK, October building society commitments (£3bn).

Expected during the week: Germany, October M3, import prices.

Peter Norman

UK COMPANIES

TWO companies which have attracted the attentions of Sir James Goldsmith, the financier who claims to be retiring, are reporting this week. BAT Industries, the tobacco and financial services group, is announcing, on Wednesday, third quarter figures – the first set of numbers to exclude the demerged subsidiaries, Argos, the catalogue retailer, and Wiggins Teape Appleton, the paper maker.

The fall in stock markets will have affected the investment returns of Eagle Star, BAT's insurance subsidiary which has also suffered high underwriting losses. Currency moves will hit translation of overseas profits. There is a range of forecasts from £95m to £115m for pre-tax profits, against £404m in the same quarter last year, adjusted to exclude Argos and Wiggins Teape Appleton and to take account of the change to average exchange rates.

Ranks Hovis McDougall is the other company, and Sir James' Sunningdale still holds around 27 per cent of the shares. RHM is reporting full year figures, for the period to end August, and warned at the interim stage of a likely drop in profits. Estimates range around £165m against £176.5m.

Analysts expect **BAA**, the former British Airports Authority to report profits of between £195m and £205m when the company announces interim results on Tuesday.

The first half of the year is likely to have been successful, but analysts will be waiting to hear what Sir John Egan, the new chief executive, says about the effect of the economic downturn on traffic volumes. Full year results are predicted at about £288m.

If British Gas is lucky in the half-year to the end of September, it may report on Thursday a profit of just a few million pounds, perhaps as much as £20m, or it could dip slightly into the red. Full year profits are earned mainly in the winter and could top £1.2bn.

An increase in British Gas's interim dividend, however, could signal a more generous pay out for the entire year. The half-year results should also give clues as to the progress of British Gas's exploration and production programme.

UK COMPANIES

■ TODAY

COMPANY MEETINGS:
Kleinwort Development Fund, 20 Fenchurch Street, E.C., 12.45
London & Strathclyde *Tst., Gartmore House,* 16-18 Monument Street, E.C., 2.30

BOARD MEETINGS:
Finals:
Cosalt
Diploma
F & C Eurotrust
Glasgow Inc. Trust
Millwall Hldgs.
Interims:
Alan Paul
BAA
Goldsmiths
Harland (Simon)
Merchant Retail
Personal Assets Trust

■ TOMORROW

COMPANY MEETINGS:
Everest Foods, Goldthorn Hotel, Wolverhampton, 10.00

BOARD MEETINGS:
Finals:
Ranks Hovis McDougall
Scantronic
Whitbread & Co.
Interims:
Babcock Intl.
CML Microsystems
Courtaulds
Erskine House
Fleming High Inc. Inv. Tst.
Grampian TV
Hazelwood Foods
JF Fledgeling Japan
Marin Currie Euro. Tst.
Ritz Design
Tie Rack
Young & Co's Brewery

■ WEDNESDAY NOVEMBER 21

COMPANY MEETINGS:
High Point, The Westbury, Bond St., Mayfair, W., 11.30
Thorntons, The Assembly Rooms, Derby, 11.30
Whinney-Mackay Lewis, Asta House, 55-65 *Whitfield Street, W.,* 3.30

BOARD MEETINGS:
Finals:
Radio Clyde
Shani
Interims:
Amersham Intl.
Bogod
Brown Shipley
Forward
Readicut
Sketchley
Waddington (John)

■ THURSDAY NOVEMBER 22

COMPANY MEETINGS:
Cramphorn, Watermans *Hall, St. Mary-at-Hall,* W., 11.00
Galliford, Penns Hall Hotel, Penns Lane, Walmley, Sutton Coldfield, 12.15
Synapse Computer Services, Barrington House, Gresham Street, E.C., 12.15
Trafford Park Estates, United Trading Estate, United Road, Old Trafford, Manchester, 12.00

BOARD MEETINGS:
Finals:
Ferry Pickering
Govett Atlantic Inv. Tst.
Morland
Interims:
Amber Indl.
British Gas
Bulgin (A.F.)
City of London Props.
Davy Corp.
Portsmouth Water
Powell Duffryn
Rothmans Intl.
Scottish Asian Tst.
Volex

■ FRIDAY NOVEMBER 23

COMPANY MEETINGS:
Ben Bailey Construction, Moat House, Mexborough, S.Yorks, 12.00
Eleco Hldgs., 116 Pall Mall, S.W., 12.00
GR Hldgs., Chartered Accountants Hall, Moorgate, *12.00*
Great Universal Stores, 20 Aldermanbury, E.C., 12.00
Lyles (S.), Wakefield Post House Hotel, Queens Drive, Ossett, 12.00

BOARD MEETINGS:
Finals:
Regina Health & Beauty
Interims:
Black Arrow
Property Partnership
TR Property Inv. Tst.

Company meetings are annual general meetings unless otherwise stated.

DIVIDEND & INTEREST PAYMENTS

■TODAY
Amdahl Corp. 2.5cts.
Aon Corp. 38cts.
Exchequer 9% Stk. 2002 4.5pc.
Haden MacLellan 3p
Helical Bar 2.4p

■TOMORROW
Exchequer 12% Stk. 1998 6pc.
Hydro-Quebec 12¾% Debs. Sers. FJ 6.375pc.
Security Pacific 63cts.
Treasury 2½% *Index-Linked Stk. 2009* £1.9267

■WEDNESDAY NOVEMBER 21
Britannia Bldg. Society FRN 1994 £1905.64
Christiania Bank OG Kreditkasse Senior Fltg. Rate Nts. 1995 $536.67
Doeflex 1.32p
English Natl. Inv. Dfd. 2.55p
Merrill Lynch 25cts.
Sea Containers 35cts.
Treasury 12½% Stk. 2003/05 6.25pc.

■THURSDAY NOVEMBER 22
Beauford 1.85p
Blue Circle Inds. 3.75p
Conversion 10¼% Stk. 1996 5.125pc.
Erith 1.3p
European Inv. Bank *10⅜% Ln. Stk. 2004* 5.1875pc.
New Zealand Fltg. Rate Nts. 1997 £189.83
Ocean Wilsons 0.5p
Secure Trust 3p
Standard Chartered Sub. Fltg. Rate Nts. 1996 £190.30
TSB Offshore Inv. Fund Ptg. Red Prf. (Far Eastern Class) 0.6p
Do. Ptg. Red Prf. (European Class) 1.45p
Do. Ptg. Red Prf. (UK Equity Class) 3.7p
Do. Ptg. Red Prf. (Pan *American Class) 1.2p*
Do. Ptg. Red Prf. (Intl. Bond Class) 3.2p
Do. Ptg. Red Prf. (Intl. Equity Class) 0.5p
Do. Ptg. Red Prf. (Gilt & Fxd Int. Class) 3.8p
Treasury 14% Stk. 98/ 2001 7pc.
Do. 2½% Index-Linked Cnv. Stk. 1999 £1.8539
Woolwich Bldg. Society Fltg. Rate Ln. Nts. 1995 £381.23

■FRIDAY NOVEMBER 23
Adwest 5.75p
Amstrad 1p
Bostrom 2.5p
Brent Chemicals Intl. 1.6p
Brewmaker 0.4p
Central Independent TV 7.5p
Commerzbank O'seas Finance NV 11½% Bds. 1990 $513.69
Cookson 3p
Cramphorn 1.44p
Derwent Valley 2.75p
Eaton Corp. 55cts.
Galliford 3.3p
Laing (John) 3p
Do. "A" NV 3p
Lloyd Thompson 5.2p
National Westminster Bank Undated Var. Rate Nts. $220.55
Nationwide Anglia Bldg. Society Fltg. Rate Nts. 1993 £378.87
Refuge 8.25p
Rugby 2.85p
S & U Stores 2p
Stag Furniture 2p
Sunderland (Borough of) 11¾% Red Stk. 2008 5.875pc.
Sykes-Pickavant 2.25p
Synapse Computer Servs 3.375p
Thorpe (F.W.) 5p
Throgmorton Dual Tst. *8p*
Treasury 13¾% Ln. 1993 6.875pc.

■SATURDAY NOVEMBER 24
Iceland Frozen Foods 2.3p

SCOTLAND

The FT proposes to publish this survey on **December 14th 1990.**

It will be of special interest to the thousands of the senior decision makers world wide who are regular readers of the FT.

If you want to reach this important audience, call Kenneth Swan on 031 220 1199 or fax on 031 220 1578

FT SURVEYS

PARLIAMENTARY DIARY

■ TODAY

Commons: Northern Ireland (Emergency Provisions) Bill, 2nd reading.

Lords: National Heritage (Scotland) Bill, 2nd reading.

Select committees:
Environment – subject, Global Climate Change. *Witnesses: Environment* Department officials (Room 21, 4.30 pm).
Public accounts – subject, NHS patient transport. Witness: Duncan Nichol, chief executive, NHS management executive (Room 16, 4.30pm).
Treasury and Civil Service – subject, the Autumn Statement. Witnesses: *Treasury officials (Room 8,* 4.30pm).

■ TOMORROW

Commons: *Criminal Justice* Bill, 2nd Reading. Debate on EC document on shipbuilding aid.

Lords: New Roads and Street Works Bill, 2nd Reading.

■ WEDNESDAY

Commons: Opposition debates on the Scottish economy and on the textile industry. Motion on Statistics of Trade Act 1947 (Amendment of Schedule) Order 1990.

Lords: Debate on case for increased investment in education. Gaming (Amendment) Bill, 2nd Reading.

Select committees:
Environment – subject, Destruction of rain forests: global climate change. Witness: Rt Hon Chris Patten, MP, Environment Secretary (Room 15, 10.30am).
Foreign affairs – subject, Southern Africa. Witnesses: British Council, BBC World Service, Committee of Vice Chancellors and Principals (Room 6, 10.30am).
Agriculture – subject, *Animals in transit. Witnesses:* Farm Animal Welfare Council, RSPCA, Council of Justice to Animals and Humane Slaughter Association, Universities Federation for Animal Welfare (Room 8, *10.45am).*
Defence – subject, Multiple launch rocket system and the Phoenix remotely piloted vehicle. Witnesses: MoD officials (Room 16, 10.50am).
Education, Science and Arts – subject, Scrutiny session. Witness: Rt Hon Kenneth *Clarke, MP, Education* Secretary (Grand Committee Room, Westminster Hall, *4.15pm).*
Treasury and Civil Service – subject, the Autumn Statement. Witnesses: Treasury officials (Room 8, 4.30pm).

■ THURSDAY

Commons: Disability Living Allowance and Disability Working Allowance Bill and *the Armed Forces Bill, 2nd* Readings.

Lords: Debate on the report *of the European Community's* committee on economic and monetary union and political union.

■ FRIDAY

Commons: Debate on the *GATT Round of trade* negotiations.

TRADE FAIRS, EXHIBITIONS & CONFERENCES

CONFERENCES

NOVEMBER 21,22 & 23
Capital Markets Workshops
Price Waterhouse Training Centre, London
Enquiries: Financial Times Conference Organisation
Tel: 071-925 2323
Fax: 071-925 2125
LONDON

NOVEMBER 26-28
Tools and Techniques For Implementing Environmental Auditing Conference - With Air and Water Quality Auditing Workshops.
Sachas Hotel, Manchester. Contact: Customer Services Manager, Industrial Conferences Division, IIR Ltd.
Tel: 071-412 0142
Fax: 071-412 0144
MANCHESTER

NOVEMBER 28
CORPORATION & THE ENVIRONMENT
London Hilton on Park Lane. In-depth analysis of new legislation, liabilities and essential preparations to be made by corporations and their advisers.
Contact: Euro Seminars Ltd.,
Tel: 071-408 1923
Fax: 071-495 1495
LONDON

NOVEMBER 28
Successful Growth through Acquisition
One day conference at Effingham Park, Copthorne, West Sussex jointly organised by Price Waterhouse and Rawlison and Butler £75 + VAT
Contact: Steve Crosby, Price Waterhouse, 0737 766300
W. SUSSEX

NOVEMBER 28 & 29
Petrochemicals in Europe - The New Scenario. Hotel InterContinental, *London*
Enquiries: Financial Times Conference Organisation
Tel: 071-925 2323
Fax: 071-925 2125
LONDON

NOVEMBER 29-30
U.K. & CONTINENTAL PROPERTY JOINT VENTURES
London Tara Hotel, Kensington
Thorough review of the fine points of property joint venture documentation, taxation and finance plus Anglo - French PJV Workshop. Contact: Euro Seminars Ltd.,
Tel: 071-408 1923 Fax: 071-495 1495
LONDON

DECEMBER 3
A Day with Tom Peters. Life Without Hierarchy: The New Business Logic at Work.
A top management briefing on creating competitive organisations in today's business environment. Royal Lancaster Hotel. Contact: Savina Pusich, Economist Conference Unit. *071-976 6565.*
LONDON

DECEMBER 3-4
The future of the Gulf: Risks and Opportunities. Hyde Park Hotel, London SW1.
Contact: Kate Williamson, Conference Connections, (UK) Ltd
Tel: 0767 600662
LONDON

DECEMBER 3-4
Energy And the New Europe: the Global Dimension. The 5th International Energy Conference, convened by the Royal Institute of International Affairs, BIEE, and the IAEE Chatham House,
Contact: RIIA Conferences
Tel: 071-930 2233
Fax: 071-839 3593
LONDON

DECEMBER 3-4
Achieving Excellence Through Continuous Improvement
The Gloucester Hotel, London SW7
Contact: Customer Services Manager, Industrial Conferences Division, IIR Ltd.
Tel: 071-412 0142
Fax: 071-412 0144
LONDON

DECEMBER 3-5
Cross Training Within the Maintenance Function
National Motorcycle Museum, Solihull. Contact: Customer Services Manager, IIR Ltd.
Tel: 071-412 0142
Fax: 071-412 0144
SOLIHULL, W. MIDS

DECEMBER 4
National Business Cultures within the Single European Market.
A topical one day conference for directors, partners, business development & export managers, *personnel directors & managers, within* companies doing business in Europe. The difference between success and failure lies in understanding and benefitting from national business **cultures. New Connaught Rooms. Call** Centaur Conferences 071-434 3711.
LONDON

DECEMBER 5
International Pay Policies Conference.
Gloucester Hotel, SW7. Speakers from CBI, TUC, NEDO, ILO, PW and LSE. £175 + VAT. Public Finance Foundation 071 895 8823 Ext. 239/225
LONDON

DECEMBER 7
Telecommunications Tariffs, *Billing* & Charging
Impact of the duopoly review on *pricing and the practicalities of* analysis and budgeting. Key speakers from Oftel, operators, and consultants. Gloucester Hotel, London W7
Enquiries: CommEd 071-733 0226
Fax: 071 733 0226
LONDON

DECEMBER 10 /JANUARY 22
Update on EC and UK Packaging Legislation/Cradle-to-Grave Analysis On Your Packaging.
Kensington Palace Hotel, London/Post House Hotel, Heathrow. Contact: Customer Services Manager, IIR Ltd. Tel: 071-412 0142 Fax: 071-412 0144
LONDON /HEATHROW

DECEMBER 11
ACQUIRING IN ITALY. Le Meridien Hotel, Piccadilly. London W1.
A comprehensive guide to the Italian M & A scene. Sponsored by Financiere Indosuez, Coopers & Lybrand Europe and Manufacturers Hanover. Contact: FIBEX
Tel: 071-489 9944
Fax: 071-236 6140
LONDON

JANUARY 8-9
The Joint Challenge For Unions and Management - managing change in working practice.
New Connaught Rooms, London WC2. Contact: Customer Services manager, Industrial Conferences Division. IIR Ltd Tel: 071- 412 0142.
Fax: 071 412 0144
LONDON

JANUARY 14 1991
The New Maps of Europe
Convened by The Royal Institute of International Affairs and Economists Advisory Group. Chatham House, 10 St James's Square, London SW1Y 4LE.
Enquiries RIIA Conferences:
Tel:071 930 2233 Fax: 071 839 3593
LONDON

JANUARY 16 1991
Neural Technology - the Technology that will change the face of computation in business and industry.
Queen Elizabeth II Conference Centre, London
IOP Conferences.
Contact: Tilly Quanjer
Tel: 0272 297481 ext 225
Fax: 0272 294318
LONDON

JANUARY 16-17
Understanding International Currency Mechanisms.
The Cafe Royal, London
Contact: Sarah Gardner, Business Research International, on 071-637 4383
LONDON

JANUARY 17-18
Effective Warehousing - Maximising Efficiency, Minimising Cost and Transport Solutions for Improved Cost and Efficiency.
Copthorne Hotel, Birmingham.
Contact: Customer Services Manager, Industrial Conferences Division, IIR Ltd.
Tel: 071-412 0142, Fax: 071 412 0144
BIRMINGHAM

JANUARY 29
WINNING THE PLASTIC CARD GAME. Survival Strategies for *the 1990's*
The Cafe Royal London W1 Contact: Victoria Garvin IBC Ltd
Tel: 071-637 4383
LONDON

JANUARY 31
PERSONNEL ON THE FRONT LINE
Essential skills for human resource professionals, including performance appraisal, are examined *in conference and workshops. Queen* Elizabeth II Conference Centre, SW1. Contact: Personnel Today Workshop '91 on: 081-979 9232. Fax 081-941 7707
LONDON

JANUARY 31- FEBRUARY 1
ICL CONFERENCE
Where is ICL today and what is its future?
Cafe Royal, Regent St. London.
Contact: Lucinda Tosh, IBC Technical Services Ltd.
071-236 4080
LONDON

FEBRUARY 11-12
International Government Bonds - 4th Annual Conference.
The Kensington Close Hotel, London. Contact Louise Warde-Hunter, Business Research International, on 071-637 4383
LONDON

FEBRUARY 12-13
Practical Performance Measurement For Manufacturers.
Contact: Customer Services Manager, Industrial Conference *Division, IIR Ltd.*
Tel: 071-412 0142
Fax: 071 412 0144
BIRMINGHAM

OVERSEAS

NOVEMBER 26 & 27
European Business Forum
Business in Central and Eastern Europe. Grand Hotel, Rome
Enquiries: Financial Times Conference Organisation
Tel: 071-925 2323
Fax: 071-925 2125
ROME

DECEMBER 11 & 12
The Future of Digital Cellular Mobile Radio. International survey on managing the change and the opportunites presented by leading team of international experts. Maison de la Chimie,PARIS
Contact: CommEd (UK)
Tel: 071 733 0226 Fax 071 733 0226
Atis Communications (Paris)
Tel: 010 33 143 31 4704 Fax + 33 143 31 4821
PARIS

FEBRUARY 13 & 14
Global Custody - Strategic issues for clients and custodians and International Securities Settlements - Maximising the potential of your portfolio.
Hotel Akura, Amsterdam
Contact: Victoria Garvin, IBC.
Tel: 071-637 4383
AMSTERDAM

OVERSEAS EXHIBITIONS

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CONSTRUCTION CONTRACTS

Petersfield bypass

A major roadbuilding contract brings the value of new projects awarded to **TARMAC CONSTRUCTION** to about £62m.

In Hampshire the company has a £35.8m contract from the Department of Transport for building a section of the A3, bypassing Liphook and Petersfield.

It involves building 12.5 *miles of dual two-lane carriage*way between Bramshott Common, to the north of Liphook, and Butser Hill, to the south of Petersfield. Work is scheduled for completion by the autumn of 1992.

At Heathrow the company has a £3.5m contract for extensions to form a British Airways club lounge, and at Telford, *Shropshire, a £3m design* and build contract is for fitting out a supermarket for Tesco, which is currently being built by the company.

Other projects include alterations to premises in Notting*ham, to form a casino for* Stakis (£1.6m); refurbishing premises in Glasgow for Scottish Power (£1.3m); building four factory units at Hirwaun, Mid-Glamorgan, for the Welsh Development Agency (£1.3m); *and designing and carrying out* alterations to a warehouse at Samlesbury, Preston for Whitbread (£1.2m).

Other contracts received are for designing and building a unit and offices at Dunfermline, for Shering Weighbridge Group (£900,000); demolition work, foundations and roof on premises at Middleton, near *Manchester, for Nestle* (£344,000).

Rail project

KIER CONSTRUCTION, part of the Beazer Group, has won an £11m contract to build an elevated flyover and viaduct at Stewarts Lane between Brixton and Waterloo, for British Rail.

Construction work which began this month will create a chord line to carry Channel Tunnel trains off the main lines to Victoria and directly onto the lines into Waterloo

The new viaduct will accommodate twin tracks and will be one kilometre long. Contract work also includes widening of existing viaducts at Ponton Road and *Linford* Street. On completion the Stewarts Lane flyover will span five lines into Waterloo.

Substantial temporary works will be involved including an access bridge, support of exist*ing retaining walls, piling plat*forms and track protection schemes. Steelwork to the flyover will be positioned during a series of night time operations in autumn 1991.

Kier Construction, the heavy civil engineering arm, has been awarded a £1m contract at the Sizewell B nuclear power station by Nuclear Electric.

The contract includes the provision of garage, administration buildings, workshop, stores and gate house and will form part of Sizewell B complex at Suffolk.

The 93-week contract starts this month.

★ ★ ★

CEMENTATION CONSTRUCTION, a member of the Trafal*gar House* construction division, has been awarded a £2.6m contract by Surrey County Council to carry out the widen*ing of an 1.8km stretch* of the A240 between the Kingston Road and the Reigate Road roundabouts.

The project involves widening the two-way road to a dual carriageway, constructing a central reserve, replacing the roundabout junctions with traffic lights, providing street lighting and associated drainage *and ductwork.* Work is due for completion at the end of July 1992.

Access to Docklands

A £32m contract to construct the 1km dual carriageway East India Dock tunnel scheme and associated Prestons Road flyover, has been awarded to **EDMUND NUTTALL**, by the London Docklands Develop*ment Corporation, (LDDC).*

Work on the scheme, which will provide a new eastern access to the Isle of Dogs and continue to a *high-level* connection to the Poplar link (Aspen Way), is expected to start within a month, with completion scheduled for early 1993.

At its eastern end, the *scheme will connect with the* Canning Town flyover. Associated improvement work to create an additional section for the flyover *is* due *to begin in* early 1994.

When this work is complete, traffic from the Isle of Dogs *will emerge in the centre of the* new structure, providing a free-flow connection at this point between the Isle of Dogs and the A13.

Towards the Isle of Dogs from Canning Town, the road will descend in a "cut and cover" tunnel under the East India Dock development site. It will surface near the former south quay of East India Dock and then rise to a new high-level structure, the Prestons Road flyover, which will *connect the two halves of* Aspen Way above Prestons Road and deliver traffic to Canary Wharf and North Quay.

£26m orders for Keller

KELLER, the British-owned international foundation contracting group, has been awarded its first contract in eastern Germany. The contract involves provision of concreted vibro columns to support a new facility at Schwerin, 100 *km east of Hamburg.*

Overall the group has recently been awarded contracts totalling £26m, significant *amongst* which are a project for water table lowering at the new press centre at the European Parliament, Strasbourg, and a *DM2m* (£692,000) contract to construct a Soilcrete slab to a deep excavation at Gorleben, Germany for Hochtief AG.

British awards include driven piling contracts totalling £2m, repairs to the Ribblehead viaduct using grouting techniques, valued *at £1m, and* ground improvement to an oil rig fabrication yard in Wallsend, Scotland using vibro and *dynamic compaction.*

Traffic between Germany and Italy has been *seriously* disrupted by the closure of the A12 motorway following failure of the piers to the bridge carrying the road over the river Inn at Kufstein, Austria. Keller *has* been contracted to help in this emergency, and is currently performing ground stabilisation works using its Soilfrac grouting technique.

ALL ROUND CAPABILITY
COSTAIN
Engineering & Construction

ARTS

Ballet Rambert

APOLLO THEATRE, OXFORD

It was not the happiest programming to precede Lucinda Childs' new *Four Elements* for the Rambert Dance Company with Merce Cunningham's *Doubles*. Compare and contrast, as the examiners used to say, Cunningham's clarity and exactness of vision with the costive manner and treadmill repetitions of Miss Child's offering, which was receiving its first performance in Oxford on Friday.

And consider the directness of Cunningham's effects – so pure in tone, so expressive, so entrancing to the eye – with the laboured fashion in which Miss Childs' lumpen activities somehow avoid all reference to the elements which are invoked in the title.

Cunningham claims nothing, and says much, about dancers and their actions, offering movement that expands against the potent solid colours of Mark Lancaster's design, while faint twitterings bathe the dance in electronic birdsong. Miss Childs has cluttered design by Jennifer Bartlett, comprising four act-drops richly emblazoned with the artist's personal imagery – red box, skeleton, tartan squares, playing cards, a handsome cockerel – whose aptness to the dance's theme wholly escapes me.

The luckless cast - 4m,4f - are in leotards, variously unflattering, representing cards, solid blocks of plaid, and a skeleton. Both dance and design make them look ill-at-ease.

A commissioned score from Gavin Bryars is no great help to events: it churns on its minimalist way, *slowly* shifting its ground, clogging an already turgid dance with its sonorities. The tedium of the score, and the caprices of design would matter less were Miss Child's dances able to command more interest. But she offers a chitchat of small incidents repeated, with little dynamic patterns that long *outstay their* welcome.

I found watching *Four Elements* like being trapped by a virtuoso bore, and, cornered, one sees the waves of platitudes arrive and roll on and on and on. The relevance of the elements to what we see is never clear. It is some comment upon Miss Childs' imaginative resource that for *Air*, a quartet of men traverse the stage in dull leaps, crossing and re-crossing, and crossing again, before making tiny curving incursions into the centre-stage. (A comparable, albeit shorter, passage in *Doubles* has two men leaping in emulation of each other, and we watch fascinated by the vivid dynamics and no less vivid imagery of the incident, which then acquires an added richness as the idea is later repeated by another dancer).

Miss Childs is a product of that 'sixties generation of American experimenters in movement who have, over the years, been busily re-inventing the choreographic wheel by turning to "steps" and making dances. Infinitely worthy, the result here is *infinitely tedious*.

Clement Crisp

Liz Kettle and Taiwo Payne in The Clink

The Clink

RIVERSIDE STUDIOS

A ruler long past her sell-by date sits on a *tatty* throne, refusing to talk to anyone, dying to die. The banks of the Thames swarm with the sick and the needy, while merchants and politicians plot the succession. The clink is engorged with pimps and dissidents. Plague and treachery taint the air.

Any resemblance to people now living is entirely intentional in Stephen Jeffreys' latest play, which comes to Hammersmith in a joint production by *Plymouth Theatre* Royal and the writers' company Paines Plough.

Jeffreys, who with his award-winning last play, *Valued Friends*, played portraitist to the new property owners of the Thatcherite boom, reaffirms his impeccable sense of timing with this grisly comedy of political disintegration. It is only a pity he could *not have* been encouraged to apply this timing to the length of a show which, well-written and researched though it is, ambles home at nearly three hours.

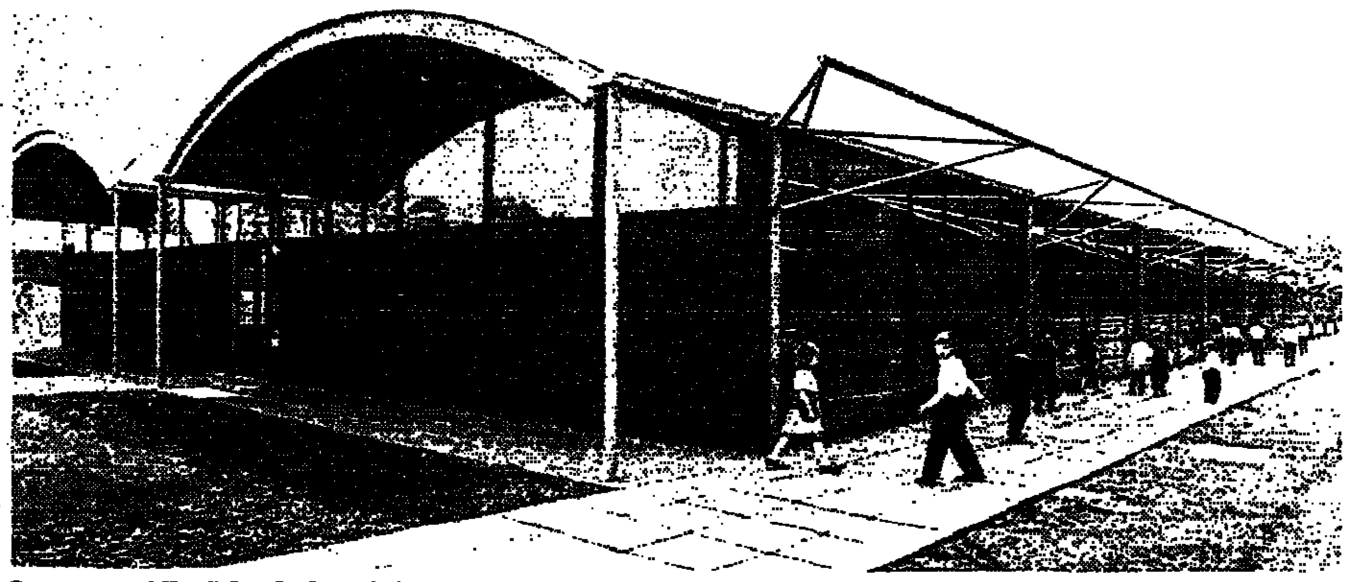
The ruler in question is Elizabeth II, a crumbling virgin with deathly countenance and blue-rinsed coiffure, who is enthroned above a set comprising an outline of England. The parallels between the 1590s and 1990s are real enough: war, plague and economic gloom producing social and administrative unrest. In both cases a great woman is at the end of her political life.

Europe even raises its head in Jeffreys' end-of-term satire, where a fool is set up by one privy councillor to enrage a Dutch trade delegation into killing off his political rival.

The style is historical romp: wigs and hoses, pistols and shades; a Websterian councillor from *David Gant*, and a Shakespearean fool from Mark Lockyer, who makes a gripping early transition from hack entertainer to harbinger of doom, delivering a plague city rap which gripped the theatre in rapt silence.

Yet by the end, one cares not if the fool, Lucius, lives or dies, if only he would get on with it. *This is symptomatic of a production* which, unusually for Paines Plough, has a pungent air of over-indulgence, as if director Anna Furze and her crew have concentrated their play-doctoring on cosmetic surgery rather than the orthopedic work this undeniably talented writer deserves.

Claire Armitstead



Queens Middle School, Cowplain: an example of Royal Gold Medallist Colin Stansfield Smith's work

ARCHITECTURE

Form follows function then . . .

Colin Amery appreciates two bold bureaucrats

"He has also used his public position to patronise other artists ... to cherish the heritage of his fiefdom, to fortify its landscapes and to assess and improve its entire estate and environment."

Do these words refer to the heir to the throne, the Secretary of State for the Environment or a rich and powerful patron? It is extraordinary that, despite the feudal ring of the words, they refer to the county architect of Hampshire, a Mr Colin Stansfield Smith, who has been singled out by his peers to receive this year's Royal Gold Medal for architecture.

Surely county architects are more of the bureaucratic than the knightly persuasion? They worry about bye-laws, are busy with by-passes and tend to have a yen for uniformity. But the county architect for Hampshire is something of an exception and it is only right that he should be suitably honoured. The important thing about this year's award is that it goes not to some trumpeted superstar, but to a man who has done the impossible – and encouraged quality through the processes of bureaucracy.

His career makes an interesting case history. He spent a large part of his early architectural life in private practice and then took the unusual step of moving into the public sector at a time when it was much more usual for architects to be going private. But looking a little further back, it is not without significance that he went from his architectural training at Cambridge to the schools division of the London County Council for two years. That must have been when the seeds of desire to serve through architecture in the public sector were sown: the LCC was a potent force for the promotion of the belief that life can be improved through good design. Mr Stansfield Smith has never forgotten that lesson and the county of Hampshire shows evidence of his early indoctrination with those beliefs.

Throughout the 1970's and 1980's there were *good schools being built in the* county. The design of a school is immensely important and can remain to the visually conscious child a source of inspiration for life. These Hampshire schools nearly always have big, protective pitched roofs, expressive of safety and shelter as well as space and more than 20 have been designed by Mr Stansfield Smith's department since 1978. Many of them have the trademark of the department – the large glazed roof sailing over brick walls. This makes for lovely, light indoor conservatories and halls which are so agreeable for children to use. At Crestwood school there is a long, glazed internal street which has definitely helped the school to operate as a community: it is wonderfully unschool-like to see pupils sitting about in the lunch hour under sun *umbrellas, eating their crisps at cafe* tables. This great space is also used by the outside community for weddings and parties, so bringing the life of the world into the school.

The Newlands primary school has a more Scandinavian look, with its white painted brick walls, big stained timber trusses and low slung landscaping. The Hulbert Middle school at Waterlooville has a long timber-lined roof that stretches over staircases and yellow brick walls like a sheltering tree. One of the most successful of the Hampshire buildings, and the most loved, is the public library at Chandlers Ford. It, too, has a generous roof, but more striking are the branched timber supports for it, which seem almost like a grove of trees. The whole front of the library curves, which adds a sense of protection and gives the place almost the atmosphere of a cloister.

In marked contrast to the vernacular qualities of many of the schools, Mr Stansfield Smith has commissioned, or encouraged the commissioning of, a whole range of architecture of good quality. Ahrends Burton and Koralek designed the Portsmouth Polytechnic Library; Aldington Craig and Collinge (a firm renowned for their careful village housing) extended a school at Baughurst. Edward Cullinan added to one school and built a complete new school at Farnborough. Michael Hop*kins built a fine school at Fleet, and* MacCormac and Jamieson designed offices for the Havant Borough Council. To show his catholicity, Robert Adam's classical design for a new library at Bordon was encouraged and is one of Adam's best designs. It is a simple brick temple, well proportioned and sparely detailed.

Although commissioning is important and can demonstrate a creative capacity for patronage, it is the creativity of Hampshire County's own architects department under Stansfield Smith that is the real example. He is right when he says that "a public authority must itself be creative to the point where what it does is an inspiration to others." Hampshire has done this in a fruitful way and the county is richer for it.

It was surely a coincidence that atten*tion was momentarily focussed* on the activities of the public sector last week in another way. The Secretary of State for the Environment spoke in London about the role of government in architecture. It is not often that ministers publicly muse about "objective beauty" or discuss design guide lines in a manner worthy of the Prince of Wales. But the heartening thing was Mr Patten's literate choice of jokes and quotations. I am sure he will not mind if I give Garrison Keillor's poem about the dangers of architectural/intellectual pomposity an even wider circulation. It made me laugh and that is quite rare when contemplating much architectural pseudery ...

"Function follows form"
Said Louis Sullivan one warm
Evening in Chicago drinking beer.
His wife said, "Dear,
I'm sure that what you meant
Is that form should represent
Function, so that it's function that should
be followed."
Sullivan swallowed
And looked dimly far away
And said,"OK,
Form follows function then"
He said it again
A three word spark
Of modern arch-
Itectural brilliance
That would dazzle millions
"Think I should write it down?"
He asked with a frown.
"Oh yes", she said,"and here's a pencil."
He did and soon was influential."

So that's how modern architecture happened.

Amsterdam Baroque Orchestra

QUEEN ELIZABETH HALL

IT was their recent recording of Mozart's Requiem that drew me to the concert on Friday by Ton Koopman and the Amsterdam Baroque Orchestra.

The disc had been thoroughly inspiring and I wanted *to see if conductor and orches*tra could apply themselves with equal success to the symphonies, especially as they are recording the complete cycle for the Mozart bicentenary year.

In the event the live concert was less revelatory, though that was perhaps only to be expected, given the programme that they had chosen. The first half was devoted to a selection of Mozart's earliest symphonies, ranging from K.22 to K.96, written when the composer was between the ages of nine and 15. This is not music to test a Mozart interpreter in *depth, though it is important* to have a feeling for the style.

That Koopman certainly has. The first thing that one notices about his Mozart is that it sounds even more obviously "authentic" than that of the other period instrument groups. This is because his Amsterdam orchestra is smaller than we usually hear, especially in late Mozart (strings only 4;4;2;2;1). With wind and brass cutting through eagerly, the orchestral sound is full of striking timbres, lean and ready for action.

Koopman himself is an undignified conductor to watch, but he gets results. Each of these youthful symphonies was presented in a bracing Mozartian style that compares favourably with similar interpreters on this side of the Channel – less self-conscious in detail than Norrington, more expressive than Hogwood. He was at his best in the G minor slow movement to K.22 and the brooding Andante of K.46, where the music itself had more to offer.

A tendency to squeeze lyrical lines with more pressure than they could bear surfaced briefly in the slow introduction to the "Linz" Symphony, No.36 in C.

Otherwise, this was a fine advertisement for Koopman's Mozart cycle, fresh and vigorous, aggressively rhythmical, tinglingly alive. The finale, with Koopman egging his players enthusiastically on, hit a peak of exhilaration at the end, just as it should.

Richard Fairman

Israel Philharmonic

BARBICAN HALL

Since mid-October the various exhibition spaces at the Barbican have been presenting a display of Israeli arts. Now the "Israel: State of the Art" festival has reached its final, musical phase. The Israel Philharmonic Orchestra is making a ten-day visit to the centre, where it is giving five concerts mostly of music by Jewish composers, starting with Bloch and Mahler last Saturday.

With so many visiting orchestras at this hall of late, it has been fascinating to observe how different are the impressions they make there. The week before last we had the Leipzig Gewandhaus sounding miserably reticent, its wind and brass making no impression at all. Now here were the Israeli players at the other extreme: every section of the orchestra up-front, bold, blazing, rich, the sound tiring in its relentless generosity.

That, of course, is Zubin Mehta's way. Where other conductors might offer a small movement, he makes a generous sweep of the arm; where they rise to a gesture, he stretches and reaches aloft, swings from side to side, traces great arcs in the air. And that to players who need no encouragement to give more.

Their performances respond accordingly. In Bloch's *Schelomo* the whole-hearted approach of the players worked to make the piece more than usually involving. They were lucky to have with them Mischa Maisky, a most inspiring cello soloist, who used his big tone to deliver some deep, expressive, lyrical playing and a wide range of dynamics. In a piece so little concerned with structure, it hardly matters if one lives from moment to moment.

After the interval Mahler's Fifth Symphony was less appealing. True to form, this was a big-boned account, full of rich, generous playing (glorious cellos). Where Mahler has a lot going on, as in the second movement, the result quickly became congested: the outer movements, though still loud and unashamedly virtuoso, fared better. The problem with Mehta's Mahler is that it has its sights so fixed on making a big impression that there is no time to look at anything else. Details go unmarked, rhythms are undefined, the music is not articulated properly. The symphony may have been overwhelming; but it was also disappointingly superficial.

At the beginning of the evening Mehta and the orchestra had paid tribute to Leonard Bernstein. In him the Israeli players had a long-faithful colleague and, incidentally, a conductor who had a unique hotline to the Jewish sounds and rhythms that underlie so much of Mahler's music. They will surely miss him greatly.

Richard Fairman

Così fan tutte

COLISEUM

You know where you are with the English National's *Cosi* – not on Bondi Beach or the New Jersey shore, but back at Fiordiligi's and Dorabella's villa on the Bay of Naples, with Vesu*vius smoking quietly across* the water.

John Cox's production, with perfectly naturalistic designs by Roger Butlin, is revived as part of the Mozart series at the Coliseum; it is a faithful, carefully detailed staging, which never tries to preach or subvert and places full responsibility on the six singers to bring it alive. In some of its past incarnations the production has been graced with fine singing, and then its elegant neutrality has become a support and a gentle evocation.

The present revival is certainly serviceable, and has been throughly spruced up by Cox himself, so that the business runs on a well-oiled track, but the singing is not yet particularly distinguished.

On Saturday all the spirit in the evening was supplied by the Alfonso and Despina, so that the second-act slump – that sequence of arias for the lovers from Ferrando's "Ah, lo veggio" onwards, which separates the first-rate *Cosi* from the ordinary – is always inevitable.

The first act had gone with some panache, thanks to Andrew Shore's Alfonso – no frills, just plain old-fashioned misogynism and excellent diction – and Elizabeth Gale's supremely confident Despina, full of sly asides and *double entendres*, pointing each phrase with gusto.

In more than the strict nar*rative sense they were the* orchestrators of the evening, sparking the action while their colleagues looked uneasy, and when their characters temporarily leave the action in the second half, barrenness took over.

Rita Cullis's Fiordiligi and Ethna Robinson's Dorabella are both newcomers to the production. Ms Cullis started uneasily and gained some vocal confidence, but she never relaxed and her major arias were always effortful.

Ms Robinson spent too much time in wide-eyed wonderment, as if disbelieving her own emotions; perhaps that was the point. With Simon Keenlyside's suave-sounding Guglielmo (his ENO debut) and Glenn Winslade slightly over-bearing Ferrando, they made an uninteresting pair of couples; whatever happened, one couldn't help but thinking, they all deserved each other, which rather destroys the point of the opera (or does it?).

Farther into the run everyone might start to enjoy it more, Peter Robinson's con*ducting might gain some flexi*bility and the revival really take off. Not yet though.

Andrew Clements

Mefistofele

QUEEN ELIZBETH HALL

I sat there lonely as a cloud – a thundercloud. The performance was good, the audience enthusiastic, the opera junk.

Say *Mefistofele* and I am not at once made miserable. I think of recorded extracts from Boito's version of *Faust*: Chaliapin in the Prologue, Gigli's "Dai campi, dai prati," Callas's "L'altra notte." Any opera-lover soon becomes well acquainted with such highlights. And it's likely that he or she at some time will listen to this or that complete recording. Opportunities of hearing the opera in live performance outside Italy, however, have always been rare. No surprise that there was a full house and a queue for returns for Chelsea Opera Group's performance on Saturday night.

For me, however, *Mefistofele* is that rare type: an opera I'd rather hear in excerpts than in its entirety. Few treatments of Goethe's *Faust* are on Boito's ambitious scale, with his Prologue and Epilogue showing Mefistofele, like Milton's Lucifer, taking on the heavens. But there's something inflexible about Boito's cast of mind. When he gets an idea – a metrical figure, an orchestral sound, a melodic line – he seizes on it like a dog with a bone. And everything is so damned important. His plan is too grand for radiant details like Gretchen at her spinning wheel or her Ballad of the King of Thule. Result? Though his Faust and Margherita are all emotion and vision, they're barely human.

The Chelsea Opera Group chorus, whom Boito works hard as heavenly creatures, modern townsfolk, revelling witches, Greek voluptuaries, should be commended. Resolute singing, disciplined teamwork, handsomely rectangular English vowels.

Still, Boito was just enough of an Italian to supply some good opportunities to his solo singers. Richard van Allan, notwithstanding a throat infection, produced characteristically sardonic utterance as Mefistofele. Anthony Mee was Faust, connecting a firm current of bright tone to lucid enunciation with Italianate fluency - rare achievement for a British singer.

He doesn't, however, yet relax quite enough to show that he is enjoying his music *and is its master. Which is* what Susan Bullock, as Margherita, did with ever growing assurance. What began as a pleasingly lucid account became, in "L'altra notte," surprisingly individual and, subsequently with Faust, authoritative, fervent, urgent. She couldn't make *Mefistofele* a good opera, but she made it gripping.

Alastair Macaulay

CBSO

MR Peter Thomas, leader of the City of Birmingham Symphony Orchestra, and ten of his string-playing colleagues, are setting up a new chamber music group called the Birmingham Ensemble.

Following the establishment of the Birmingham Contemporary Music Group, this is the second spin-off from the CBSO.

Birmingham Ensemble makes its public debut next January at the Birmingham Town Hall, soon to be vacated by the CBSO, with the first of a series of concerts based on the standard chamber repertoire. More adventurous programming should come in the second year.

Each of the first four concerts includes one baroque and one twentieth century composition. Initial funding for the venture has come from Kidsons Impey, *accountants, but* Birmingham Ensemble has applied to both for West Midland Arts and the Birmingham City Council for financial support.

ARTS GUIDE November 16-22

MUSIC

London

Royal Philharmonic conducted by John McGlinn in a concert which includes Bernstein's Fancy Free and Gershwin's Porgy and Bess (Tues). Royal Festival Hall.
Academy of St Martin in the Fields directed by Iona Brown play Respighi, Vivaldi, Giuliani and Bartok (Thur). Queen Elizabeth Hall.

Paris

English Chamber Orchestra conducted by Jeffrey Tate, MitsukoUchida, piano: Beethoven (Mon). Chatelet (40282840).

Martha Argerich, piano, Gidon Kremer, violin (Mon). Théâtre des Champs Elysées (47203637).

Ensemble Orchestral de Paris conducted by Armin Jordan, MauriceAndre, trumpet: Mozart, Hummel, Prokofiev, Hertel (Mon, Tue).Salle Pleyel (45638873).

Georges Pludermacher, piano: Beethoven, Schubert, Chopin (Tue).Théâtre des Champs Elysées (47203637).

Olivier Latry, organ, Radio France choir conducted by HermannEngels: Alkan, Franck, Saint-Saens, Liszt (Wed). La Madeleine Church (42302306).

Mady Mesple, soprano, Gabriel Tachino, piano: Hahn, Poulenc,Liszt, Wolf, Strauss (Wed). Théâtre des Champs Elysées (47203637).
Orchestre de Paris conducted by Libor Pesek, Elisabeth Leonskaja, piano: (Wed, Thur). Salle Pleyel (45638873).

Amsterdam

Royal Concertgebouw Orchestra with Stefan Vladar (piano), Gerd Albrecht conducting. Stefan, Lutoslavski, Pettersson. Concertgebouw (Thur) (718 345).

Utrecht

Radio Symphony Orchestra, Greater Broadcasting Choir and soloists, Henry Lewis conducting. Ravel, Orff. Vredenburg. (Sun). Travelling Players under Christiaan Bor. Boccherini, Brahms, Elgar. Vredenburg (Thur) (31 45 44)

Antwerp

Oliver Widmer (baritone) accompanied by Gerard Visch (piano) perform Schubert's Die Winterreise (Thur). De Singel.

Brussels

Rolf Plagge (piano) in a programme of Beethoven and Schumann (Mon). Palais des Beaux-Arts.

Madrid

Reina Sofia Chamber Orchestra conducted by José Ramon Encinar, with Abel Carlevaro (guitar). Garcia Abril, Rodrigo Carlevaro (Tues). Auditorio Nacional de Musica (337 01 00).
Anne Sofie von Otter (mezzo-soprano) and Ralf Gothoni (piano)Grieg, Von Koch, Sibelius, Wolf, Brahms (Tues) Auditorio Nacional de Musica (337 01 00).
Madrid Symphony Orchestra conducted by Luis A. Garcia, with Maria Oran (soprano). Von Weber, R. Strauss, Berlioz (Thur). Auditorio Nacional de Musica (337 01 00).

Barcelona

Orebro Chamber Orchestra conducted by Jean-Pierre Vallez. Grieg, Mendelssohn, Nielsen, Tchaikovsky (Mon). Palau dela Musica Catalana (268 10 00).

Milan

Riccardo Muti conducting the Scala Philharmonic (Mon). Teatro Alla Scala (809126).

Rome

Antoni Ros-Marba conducting Ravel and Strauss (Mon, Tues). Auditorium in Via Della Conciliazione (6541044).
Trio Beaux Arts playing Beethoven, Schubert and Zemlinsky (Thur). Teatro Olimpico (393304).

New York

Roberta Peters (soprano) recital with Warren Jones (piano). A. Lotti, Bach, Mozart, Schubert, A. Thomas, R. Strauss, Tchaikovsky, Rimsky-Korsakov, Rachmaninov (Mon). Carnegie Hall (247 7400).
New York Philharmonic conducted by Erich Leinsdorf with Malcolm Frager (piano). Copland, Dohnanyi, Schumann, Beethoven (Tue); Charles Dutoit conducting with Jean-Yves Thibaudet (piano). Stravinsky, Szymanowski, Liszt, Debussy (Wed). Avery Fisher Hall, Lincoln Center (874 6770).

Washington

National Symphony conducted by Zdenek Macal with Tzimon Barto (piano). R. Sierra, Mahler (Tue); Concert Hall, Kennedy Center (467 4600).

YORKSHIRE & HUMBERSIDE

The FT proposes to publish this survey on **December 7 1990.**
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FT SURVEYS

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Monday November 19 1990

Choosing a prime minister

MR MICHAEL Heseltine is a remarkable man. Able, energetic and determined, successful businessman and experienced minister, he would seem to have all the qualities of a prime minister. His approach is different, his appeal fresh. No wonder that his standing in the opinion polls is higher than that of the formidable lady he now wishes to replace. No wonder, too, that many Tory members of parliament are tempted to switch horses.

They should think carefully before doing so. As prime minister, Mr Heseltine will not be able to change the prospects of the UK economy in the short term; he will merely become tarred by them. As prime minister, Mr Heseltine may seek to amend the poll tax; but he will not be able to implement a new system before the next election. Mr Heseltine should, in short, not be looked on as quick relief from the ills that afflict his party. He must be chosen only if he is thought to be the best prime minister and leader of the Conservative party for many years to come.

The UK is no longer a front rank power, but it still has the sixth largest economy in the industrial world, an influential voice in western councils and, despite fashionable denials, in European councils as well. Has Mr Heseltine, Conservative MPs must now ask themselves, shown the consistency and balanced judgement required in the country's leader? Has his behaviour not been too often impulsive, when it should have been considered?

Policy divide

No less thought should be given to what Mr Heseltine's election as leader would say about the Conservative party's vision of itself. There is no question of Mr Heseltine reversing what Mrs Thatcher has done. None the less, of all the major figures in the Conservative party he is probably among the less sympathetic to the thrust of Thatcherism – towards a reduced role for government, the widening of consumer choice and the promotion of competition through free markets.

Mr Heseltine has some policies that have much to commend them: independence for the Bank of England, for example. It is his underlying approach that is debatable. Mr Heseltine seeks to chair UK plc, where Mrs Thatcher has championed limits upon such interventionism. Mr Heseltine is an instinctive mercantilist, where Mrs Thatcher has, however inconsistently, pursued a more liberal view.

Post-Thatcher era

Mr Heseltine himself angrily denounces the charge, often levelled against him, that he seeks to revive the corporatism of the 1960s. But he is eager to develop a new partnership between government and industry and to use the powers of the state to promote the interests of British business in world markets. His approach to industrial policy is different in substance, not just in rhetoric, from that pursued by the Conservatives over the past 11 years.

The Conservative party needs a leader who, while whole-heartedly committed to the achievements of the Thatcher era, wishes to extend them. Mr Heseltine is not the right choice; nor is he likely to correct one of the blemishes in Mrs Thatcher's record, excessive centralisation of power.

The post-Thatcher era needs to arrive soon. The policy judgments of this third administration have been unsure and sometimes seriously mistaken. Her attitude to Europe is unfortunate, and she has sometimes confused genuine concerns with shibboleths like the pound and untramelled parliamentary sovereignty.

It would have been better for Mrs Thatcher to retire voluntarily, full of honour and deserving well of her country. A contested election among MPs under rules designed for a party in opposition is not the right method by which to choose a new prime minister. In the circumstances, a convincing win for Mrs Thatcher on the first ballot would resolve the matter, presumably until after the next election. But if by their abstentions and their votes for the challenger Tory MPs demonstrate a loss of confidence in Mrs Thatcher, she should withdraw from the second ballot in favour of a replacement in whose hands her legacy could safely be left.

Soviet Union in crisis

THE SOVIET crisis deepens by the day. The Supreme Soviet, frustrated at making laws with no discernible impact, last week called President Mikhail Gorbachev to account for his stewardship and demanded a coalition government. He responded with a "state of the union" speech in which he agreed that everything was going from bad to worse and called, vaguely, for an "offensive to save the country".

Shocked by his poor reception, he came back on Saturday with a new plan for presidential rule, aided by a "crisis committee" based on a revamped Federation Council. This will include Mr Boris Yeltsin and other republican leaders.

Meanwhile hunger, possibly famine, is facing the Soviet Union as the snows of winter cover fields of rotting crops.

There is also a serious danger that the hoped for windfall hard currency gain from higher world oil prices and conversion to dollar pricing in Comecon trade from January 1 will prove as elusive as the bumper harvest. Oil production is falling sharply and the problem of delivering oil and gas is compounded by disintegrating pipelines and a chaotic transport system.

Official statistics already seriously understate the decline in economic activity. Given the integrated and highly monopolistic structure of the old command system the decline is likely to accelerate next year, as shortages ratchet through the economy.

What we are witnessing is the accelerating collapse of political and economic structures. This is happening in a country where the destruction of civil society over 70 years has fatally weakened the country's capacity to react creatively to the new freedoms suddenly granted it.

Resignation

Under these circumstances it is questionable whether the resignation of the government led by Mr Nikolai Ryzhkov and its replacement by a Federation Council with greater powers would in itself significantly improve the situation.

But it might help. Up to now Mr Gorbachev has resisted calls for the resignation of his prime minister because that would weaken his own hold on power. Increasingly, however, Mr Gorbachev's real contribution to Soviet politics has shifted. He is no longer viewed as the incarnation of the reform movement by ordinary Soviet citizens who want to see practical results and economic improvement. His main usefulness now is as the man who symbolises a more peaceful, democratic Soviet Union on the world stage, above all to those foreign governments and international financial institutions whose help will be sorely needed in the months and years ahead.

Coalition

Domestically it is Mr Yeltsin, president of the Russian federation, alongside other non-communist politicians, like the mayors of Moscow and Leningrad, who now enjoy what confidence remains in Soviet politicians among a populace disorientated, apathetic and frightened about the future.

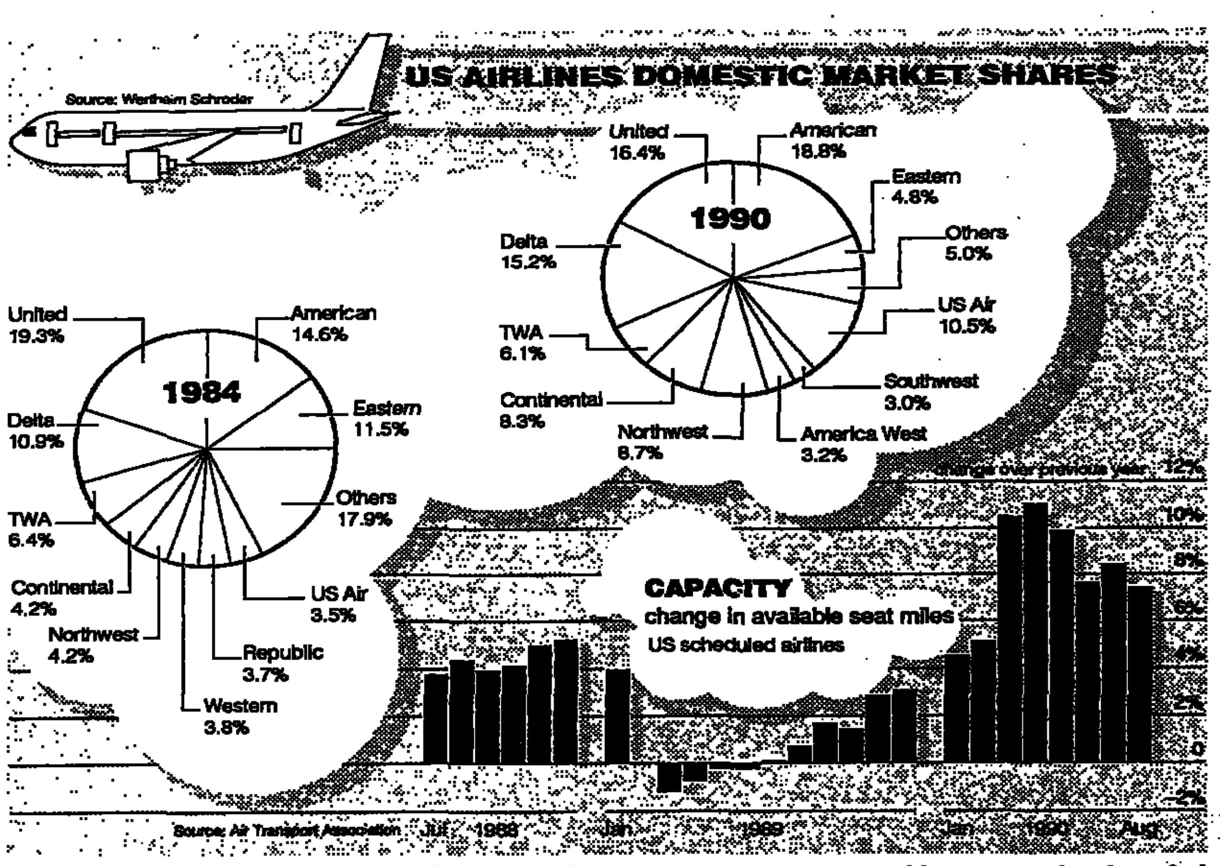
A de facto coalition government headed by these two erstwhile rivals could therefore benefit from a combination of international and internal support, provided that it soon proved itself more capable than Mr Ryzhkov's government of giving substance to the rhetoric of reform.

At this stage one can only reserve judgment. Too much time was spent debating the finer points of the Shatalin plan for transition to a market economy. In the end, implementation was overtaken by governmental price decisions, which have sparked off a dangerous inflationary spiral. Even the architects of the plan no longer believe in it. A similar fate possibly awaits the long awaited Treaty of Union, which is supposed to draw up a *blueprint for a looser federation* of the future.

All that is clear at this stage is that the transition from communism is going to be much longer, much harder and much more expensive than imagined even a year ago. To achieve it peacefully could cost the west as much effort and treasure as the cold war whose demise we celebrate in Paris this week. That is the probable scale of the challenge ahead.

Nikki Tait examines the way in which the aviation industry in the US is dividing between the haves and the have-nots

Painful predicaments of the high-fliers



Two weeks ago, senior airline executives gathered in Washington at the request of Mr Samuel Skinner, the US transportation secretary. Many of the names were well known. They included Mr Ron Allen, chairman of Delta Airlines; Mr Carl Icahn, head of Trans World Airlines; Pan Am's Mr Tom Plaskett and Mr Bob Crandall from American Airlines.

For once, these industry bosses spoke with a united voice. There could be dire consequences for some US carriers, ran the warning, unless the administration took steps to ease jet fuel prices. As if to emphasise the point, Eastern Airlines, already in bankruptcy, spent much of last week trying to stave off a liquidation threat, while Pan Am moved closer to selling its most desirable asset – transatlantic routes – in return for much-needed cash.

The US airlines are in a painful predicament. On the one hand, costs are rising. This is a trend which was under way long before the Middle East crisis erupted, but which has been given a savage twist by the rise in fuel prices.

On the other hand, there is the problem of passing on these higher expenses to a public now accustomed to cheap travel, and in a recessionary climate when airline overcapacity is rife and competition intense.

But if the dilemma is universal, the severity of its effect is not. Partly because of their financial structure – strong cash flow and often attractive tangible assets – US airlines have attracted a wave of leveraged takeovers during the past decade. As a result, there is a large gulf between companies well-placed to withstand the current profit pressures and their heavily-indebted brethren who must sell the family silver if they are to have any hope of survival.

That, in turn, is accelerating the restructuring of the industry, as the financial "haves", with their eyes fixed firmly on the faster-growing international traffic, feed off the financial "have-nots".

The result, some say, could be the most fundamental change since the airline sector was deregulated in 1978. Then, as the federal authorities loosened their grip on ticket pricing and route allocations, new lower-cost competitors flooded into the industry. Now, financial pressures are intensifying the reverse process – consolidation, a move towards a small number of dominant players. These will command the lucrative international routes while below there will be a layer of smaller, mainly domestic players.

Already, there is a fair measure of agreement on which carriers will make the big league. American, under Mr Robert Crandall, is in fierce competition for the number one ranking with United, which has been distracted by bid or buyout possibilities over the past year and still has to agree new contracts with its unions. Delta, also financially secure, follows in third place.

The weakest players are no secret, either. Pan Am, even if it seals the proposed sale of Transatlantic routes to United is a shadow of its former self; analysts struggle to see how Mr Carl Icahn, better known for his corporate raiding activities, can build a future for TWA, the airline he heads; and Eastern, despite the protestations of Mr Martin Shugrue, its court-appointed trustee, remains fragile.

In between the strong and the weak lie the middle-ranking carriers such as USAir and Northwest Airlines.

For all airlines the 1990s posed problems well before the Gulf crisis developed. Traffic had surged for much of the 1980s as deregulation ushered in cheaper air travel and the economic climate was clement.

This growth tailed away sharply in the past two years. Between 1988 and 1989 overall air traffic rose only 2.2 per cent, with domestic traffic flat. Today, with the economy slowing, the domestic outlook is bleaker, and many analysts predict a decline in overall traffic in 1991.

Not surprisingly, there is a glut of seats. Supply was squeezed during the Eastern Airlines strike in 1989, but since then overcapacity has returned.

This is not a new headache: industry experts date the beginnings of the overcapacity problem to the late-1960s. Since then many airlines have been able to keep older aircraft flying thanks to deregulation's downward pressure on costs.

But the situation has since worsened. During the late 1980s capacity was increasing at around 4 to 5 per cent a year. In the summer of 1990, the year-on-year advance was nearer 7.5 per cent. That leads on to the most pressing problem of all. From 1981 to 1988, costs were basically flat, helped by declining fuel prices and the general pressure on labour rates in the post-deregulation era.

The picture began to shift in 1989, as a variety of operating expenses – from labour to landing fees – headed upwards. According to one composite cost index for the industry, there was a jump of about 10 per cent in 1989. *This was followed by a sharp rise in* fuel prices in late 1989 and early 1990, which meant a 4.5 per cent rise in overall costs in the first three months of the current year.

Nevertheless, in spite of these underlying pressures, some optimistic noises were being sounded about the industry's medium-term prospects earlier this year. Airlines would be unable to maintain their ageing fleets for much longer, said the optimists, and capacity would be forcibly plucked from the system.

That, however, was before the Middle East crisis, and the associated rise in oil prices. Jet fuel is usually an airline's second largest cost, typically accounting for 15 per cent-plus of operating expenses. Moreover, airlines invariably buy on short-term contracts so there is a very short time-lag between an increase in oil prices and a rise in carriers' costs.

The effect of the latest oil price surge has been devastating. It is estimated that a $1 per barrel increase in crude prices adds $575m to US airlines' annual operating expenses. So a rise from around $18 a barrel before the invasion of Kuwait to, say, $30 barrel puts $7bn on the annual fuel bill. *When oil prices seemed to be* heading for the $40 a barrel mark, it seemed that the industry might be almost $13bn a year worse off.

The oil price surge has been devastating. It is estimated that a $1 per barrel rise in crude prices adds $575m to airlines' annual operating costs

For a sector in which overall profitability has been bumpy for the past decade, this is dire news. At least one leading consultancy suggests that the airlines could be heading for an aggregate after-tax loss of about $1.5bn this year. Before the invasion of Kuwait, it was forecasting a $500m profit.

What happens now depends on many things – ranging from fuel costs, to the depth of the US recession, to the extent to which US carriers can adapt seat prices to secure higher yields.

But, in the absence of a quick reduction in fuel prices, few experts are hopeful. A roomful of Wall Street pundits, for example, listened grimly to a recent analysis by the Airline Economics consultancy, which concluded that it could be 1993 before the industry earns "an average US industry operating profit margin" (that is, about 7.5 per cent).

This pressure has two important implications. In the short run, the financially fragile carriers are most at risk. In the round of third quarter figures just reported, net losses (before extraordinary or non-recurring items) ranged from $23.9m at TWA and $29.1m at Pan Am to $88.3m at Continental and a swingeing $180.3m at Eastern. American and United, on the other hand, remained firmly in profit, even though American's results were halved from the same period a year earlier.

Clearly, such figures have prompted hard decisions. For example, Continental – *which waved goodbye to its* ambitious chief executive, Mr Frank Lorenzo, last summer – concedes that its board reviewed possible courses of action last month in the light of fuel prices. Stirred by rumours that the airline had considered filing for protection from creditors under Chapter 11 of the Bankruptcy Code, Continental firmly denies that this is currently an option. It has admitted, however, that asset sales, possibly including international routes, are likely. It has since been in talks with Delta.

In the longer term, this is how the industry is being reshaped. The stronger carriers have set their sights on the higher-growth international routes; as forced sellers emerge, they are well placed to buy. Aside from the Delta-Continental discussions, United is seeking to buy the bulk of Pan Am's prized transatlantic routes, with its chief rival, American, anxious to enter the bidding. American has *already acquired* important Latin American routes from Eastern Airlines. And so on.

Increasing concentration in the industry is not new. But the profit pressures provide new urgency on the sellers' side, which allows the stronger companies to "cherry-pick" the operations they want. United, for example, will pay $400m for Pan Am's European routes (and some other assets), when the whole company is capitalised at $260m. This way, it avoids the problems of Pan Am's debt and its less attractive routes.

The current asset-shuffling, suggest most commentators, paves the way for a two-tier industry. "There's a polarisation of key industry assets under way," remarks Kevin Murphy, an analyst at Morgan Stanley. The stronger carriers will not only have a chance to snap up the international routes, but will also have much deeper pockets when it comes to developing them.

This point is illustrated by the state of the different carriers' orders for *new, more cost-efficient* aircraft. The average age of the carriers' fleets ranges from almost 16 years at TWA and Pan Am, down to under 10 years for American, USAir and Delta. United is in the middle, at 13 years.

Yet it is United, American and Delta which have placed the most significant orders for new aircraft. United, following the announcement of its record-breaking order with Boeing, heads the pack with almost $50bn-worth of aircraft due to be delivered over the next decade; Delta and American are both at roughly half that amount.

Whether non-domestic carriers will have much of a role in this shake-up is debatable. Last year, KLM Royal Dutch Airlines was obliged to cut its proposed interest in NWA, the parent of Northwest Airlines, to meet Washington's requirements, and the authorities can halt any "undue influence on a US carrier by a foreign owner". Yet, as the emphasis switches from the domestic market towards the *international* arena, many observers suspect that airline "alliances" – such as that between Delta, Singapore Airlines and Swiss air – will become increasingly common.

For the moment, perhaps the only comfort for the airlines is a political one. The concentration that followed deregulation had led to increasing concern among some politicians about possible price-collusion. The US "hub" system can result in individual airlines being dominated by one or two airlines. When this happens, argue the industry's critics, flights to and from those cities tend to rise more steeply in price.

This clamour has been sufficiently loud to prompt first a study by the General Accounting Office, Congress's investigative arm, and, more recently, by the Justice Department. Added to the criticisms, and also under investigation, is the claim that airlines communicate pricing intentions through a commonly-owned computer network.

For the moment at least, these issues have overtaken by the economics of the current situation. When an industry is patently bleeding, price collusion claims tend to lose their sting. But, in the longer-run, it may be different. Should the current concentration of assets continue apace and a new class of mega-carriers emerges, the re-regulation lobby may find grounds for reasserting its case.

(Additional research by Rivka Nachoma)

OBSERVER

Genscher woos Hurd

■ Hans-Dietrich Genscher, the German Foreign Minister, has a solid reputation for spotting political trends before others.

And, in a move which might be of importance for those keeping an eye on the leadership stakes in the British Conservative party, Genscher has marked down Douglas Hurd as a man to do business with in the British government.

Anglo-German relations have been going through a rocky period during the last couple of years. But Genscher's officials went out of their way to praise the British foreign secretary's performance in the K9 international talks on German unity this summer and autumn. Hurd's business-like Euro-enthusiasm also seems to have impressed Chancellor Helmut Kohl – especially in view of the latter's well-known inability to get on with Margaret Thatcher.

Bonn has even made its peace with John Weston, the political director at the Foreign Office. Weston, Hurd's right-hand man, was sharply criticised by Genscher's delegation over his hard-line negotiating stance at the last of the "2 plus 4" meetings in Moscow in September. But now Weston (along with his opposite numbers at the French Quai d'Orsay and the US State Department) has been awarded the German Distinguished Service Cross for his work on German unity.

The citation involved waiving the normal British rule preventing diplomats receiving foreign medals – which is based on the slightly unrealistic grounds in this age of the jet that their judgments might become swayed by too much local thinking.

Now Genscher is about to bestow on Hurd perhaps the ultimate accolade that can be offered by any politician, by introducing him to his friends and contacts of the press.

Genscher will be accompanying Hurd to Berlin next month when the British foreign secretary will speak at the annual Christmas dinner of the Berlin journalists' association. Genscher, who has already shown Hurd his home town of Halle in east Germany, will personally introduce his guest.

Can we expect Genscher in Britain in the New Year to meet the cream of Fleet Street?

Ringing out

■ Not easy, perhaps, to find a laugh in the telecoms duopoly review. But that hasn't stopped our gallant lads in the City from trying.

Roger Pye, a principal consultant at the accountants now snappily-named KPMG Peat Marwick McLintock, has summarised the last seven years into an early Christmas carol.

"In the seventh year of duopoly,
Oftel sent to me
Seven radio-paging companies
Six specialist satellite carriers
Five cellular or PCN operators
Four mobile data carriers
Three cable TV companies offering telephony
Two wireline PTOs
And Kingston Communications plc."

Pye and his colleagues are holding a seminar on the review soon. They hope to be able to write new verses for the next five years.

Power cards

■ How do you persuade new customers to pay bills for something they have not bought before?

That was an unexpected turn in the conversation on South African politics at a recent lunch in London hosted by Dr Ian McRae, chief executive of Eskom, the state-owned South African electricity supply company. This Scottish engineer has an ambitious belief that electricity will help bring social as well as political stability not just to South Africa but to a wide region of southern Africa, if the supplies are inter-connected.

"With proposers like Douglas Hurd who needs enemies?"

In South Africa alone, 28m people are still without electricity. The numbers rise to 100m when neighbouring states, such as Botswana and Mozambique, are included. Some of those neighbours have huge untapped hydro-power resources.

Distributing electricity to all communities and kraals at a price customers can afford is now a major development programme for Eskom. But if the new customers don't pay Eskom goes broke. So prepayment is proving to be an important element in the schemes. The customer buys his electricity units at the supermarket or all-night garage, as a magnetic card. Each card is coded for the customer's exclusive use, to prevent any wholesale theft.

At home, the electricity dispenser shows the customer just how fast it is wiping units from the card – so customers soon learn which appliances are power-hungry. An alarm sounds when the card is running out.

For his company, McRae says happily, it means no meter-reading, no billing, and no debt-collecting.

Wrong number

■ The salesman said he'd forgotten the key, so Norwegian Fredrik Hansen, aged 60, climbed through the basement window of the vacant house to look inside.

He liked what he saw. A large insurance company, saying it owned the house, assured Hansen that completing the sale would be a formality.

Without waiting to get the transfer papers, he set to work, restoring the old house and installing new plumbing.

Hansen moved into the house in Loekken, central Norway, several months ago. Only later did he get a letter from the government rejecting his change-of-address notice because the street address and the plot number didn't match.

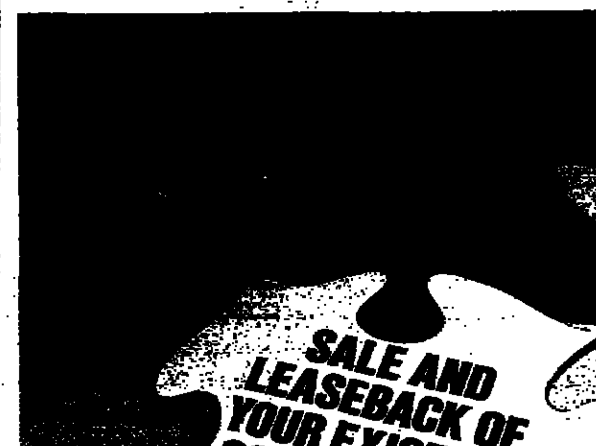
The insurance company rechecked its records and said the salesman had led Hansen through the window of the wrong house. Hansen had actually bought the vacant and even more dilapidated house next door.

Auspicious

■ Singapore Airlines, rated until recently as one of the most profitable in a difficult world climate for the bird men, said that the Gulf crisis, and the escalation of fuel costs, had altered the outlook to, "grim and unsettling".

A few days later, it has announced that it has incorporated a new wholly-owned subsidiary, Auspice, to handle offshore fund management activities.

That appears to be prudent diversification.



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FT19

The Prime Minister outlines her views on the central issue in the election for the leadership of the Conservative party

My vision of Europe: open and free

By Margaret Thatcher

There is in some quarters a tendency to claim a monopoly for a particular view about the future of the European Community: a vision of remorseless progress towards a full economic, monetary and political union, a promised land to which (it is suggested) all reasonable people should aspire. Anything less is regarded as heresy.

I do not like monopolies of any sort. And like most people in this country I am suspicious of blueprints, especially where institutions are concerned. My own vision of Europe can be summed up in two words. It should be *free*, politically and economically. And it should be *open*.

In the widest sense, we are of course free in the European Community. We are all democracies. We enjoy basic human rights.

But that is only part of the story. If we, the countries of Europe, are to draw closer – as I believe is right – we must be sure that we do not compromise that freedom. We must not lose the accountability of national governments to national parliaments. There are few governments which are more accountable to their Parliament than ours.

We also have to be sure that coming together in Europe is not equated with more centralisation. That would be a most undesirable constraint on liberty. Much of the rest of the world is finding liberty in devolution of power away from the centre: it would be ironic if the Community were to move in the opposite direction.

That is why what is called subsidiarity is so important. The Community should be involved in taking action *only* where it is demonstrably clear that member states acting on their own cannot achieve a particular objective. In all other cases, the presumption should be that member states should act. In this way, the familiar role of national parliaments and governments can be preserved and over-mighty central institutions which are not fully and democratically accountable can be avoided.

We have to guard against erosion of freedom in the economic sphere, too. The Treaty of Rome, or most of it, was conceived as a charter of economic liberty – although the Common Agricultural Policy is protectionist. Much of Britain's present strength and vitality comes from our free market economy.

Yet there are tendencies in Europe which go in different directions: towards corporatism, by giving the state a major share in economic decisions; towards large subsidies and state aids to industry; towards imposing unnecessary burdens and restrictions on business; and towards protection of the Community's markets rather than freer trade.

I believe it is vitally important to fight every tendency of this sort because in the end it will act as a constraint on prosperity. The purpose of the Community is to get down the internal barriers and eliminate unfair subsidies, so that we all benefit from a great expansion of trade both within Europe and with the outside world.

'We have to be sure that coming together in Europe is not equated with more centralisation'

That is the point of the single market on which Britain has given such a strong lead – but which is still far from complete. Indeed, national subsidies to industry are one of the biggest remaining obstacles to a genuine single market, together with attempts to impose burdens on business through the Social Charter. Britain has, with Denmark, the lowest proportion of gross domestic product going to subsidies of any country in the EC.

It is just as important that the Community should be open to the outside world. I would underline two aspects at the present time.

The first is the Gatt Uruguay Round negotiations, where the Community is at serious risk of being held responsible for failure of the international effort to free world trade including trade in services. The result of failure would be more bilateral deals, more retaliatory action, more protection and the creation of rival trade blocs. Nothing ought to be higher on the Community's agenda than this issue which is crucial to our future prosperity. I only wish that my raising it at the European Council in Rome had been more enthusiastically received by most of my colleagues.

The second aspect is that the Community should be open to the countries of eastern Europe, and indeed other west European countries if they want to join, once they are ready. It would be contrary to all we are trying to do politically to support democracy and help those countries who have only recently emerged from 40 years of totalitarian system, if the Community was to make itself an exclusive club which kept them outside.

Britain's future lies in the EC: not on the fringes of it, but in the mainstream, as a powerful influence in its future development

These are the standards – freedom and openness – against which I judge proposals put forward in the Community and why I am not convinced that the full Delors plan for Economic and Monetary Union is either feasible or desirable. I am not opposed to closer economic and monetary co-operation. Indeed Britain is right in the forefront of implementing Stage 1 of the Delors Plan. And no member state has gone further in tabling proposals for the next stage than Britain, with our plan for a European Monetary Fund and a hard Ecu.

But we need to approach matters in an evolutionary way which takes account of the great disparities between the economies of the 12 member states. That was how the founders of the Bank for International Settlements and the International Monetary Fund went about their tasks. They were practical men who wished to create institutions which could evolve and adapt to the circumstances of a changing world. They did not seek to establish treaties with deadlines, without first agreeing substance or plans for achieving those deadlines.

It is that sense of practicality which we bring to the development of monetary co-operation in Europe today. We should not be trying to take decisions on the timing of the move to the next stage of economic and monetary union when the substance of that stage has not even been properly discussed, let alone agreed. That is hardly a responsible approach, especially when the right to issue national currencies is at stake. Nor should we sweep under the carpet the immense costs of a forced march to full Emu, in terms of the massive additional transfer of taxpayers' money from the better off member states to the less well off which would be necessary.

We also have to keep in step with public opinion. I believe that the overwhelming majority of British people hold the chancellor of the exchequer accountable for the government's stewardship of the nation's monetary and economic policies. They are just not ready to accept that decisions on interest rates, so important for family budgets here, and on inflation should rest with an unaccountable group of central banks. They are not ready to remove control over rates of taxation and over budgetary policies from Parliament.

That is why we have proposed a parallel or common currency rather than a single currency, so that you leave people the choice of whether to go on using their national currency or gradually to make greater use of the Ecu. Freedom is about choice and letting markets work.

There is much else that needs to be done in the Community

- We need to complete the Single Market and to make sure that the Community's decisions are implemented by all member states before we move on to set new targets.
- We need to open Europe's markets more to the developing countries for whom trade is far more valuable than aid. This means we must be prepared to negotiate on the Common Agricultural Policy in the Uruguay Round.
- When we come to the inter-governmental conferences, on both political and monetary union, we shall have a substantial number of proposals to make for improving the way in which the Community's institutions work.

Britain's future lies in the European Community: not on the fringes of it, but in the mainstream, as a powerful influence in its future development. I have a very clear view of what that future should be: a Community which is based on competition, enterprise, choice and free trade; and a Community in which the basic political rights of the people of this country can continue to be exercised through Parliament rather than made over to a body beyond their control. A Community whose member countries freely co-operate more closely with one another, but clearly retain their national identity and accountability.

LOMBARD

Teenager's guide to the UK's RPI

By Samuel Brittan

Until recently it was simple to separate headline from underlying inflation rates. Non-partisan analysts had only to look at the easily available figures of the RPI with mortgage interest rates removed. The arrival of the community charge or poll tax in the spring brought a further knock-on effect to complicate matters. The rise in oil prices in the late summer, following the annexation of Kuwait, added a third. The RPI on its own is now hopeless as a guide to inflation.

In any case no one will be able to dismiss a teenager's guide to the RPI, starting now, as a piece of official apologetics. For the October RPI increase of 10.9 per cent on a year ago (unchanged from September) is a peak. The November headline figure will reflect the cut in mortgage interest rates which followed a reduction in base rates. The effects of last autumn's increase in rates will also have disappeared from the year-to-year comparison. These two influences will be sufficient to take about 1 percentage point off the headline rate.

The only influences which could prevent a continuing decline in subsequent months would be a further Gulf-related oil price explosion, or a run on sterling which led to an increase in base rates. Either event would come too late to affect the November index, which closed last Tuesday.

The overwhelming probability is that, in the months ahead, a focus on the core inflation rate will be more useful for the opposition than for the government (any government). The Treasury's new forecast shows the headline rate of inflation halving to 5¼ per cent by the first quarter of 1991. The core inflation rate is likely to fall far more than the headline rate and end up below it.

The table divides the headline RPI rate into components. Some 1.4 percentage points is accounted for by the rise in mortgage rates. Another 1.1 points arises from the community charge – not the full charge, but the increase compared with the local government rate it replaced. Finally, some 0.9 points are accounted for by the rise in oil prices triggered by events in Kuwait. After these deductions the core rate comes to 7.5 per cent.

Contributions to UK RPI: October 1990
(Year-on-year increase %)

Core rate	7.5
Oil prices	0.9
Community charge	1.1
Mortgage interest	1.4
HEADLINE RATE	10.9

Source: CSO

How legitimate are these deductions? It depends on whether one is trying to measure the value of money or the standard of living. The outstanding candidate for deduction is the community charge. For if income taxes are excluded from the RPI, why should the poll tax be included?

The deduction of mortgage interest gives rise to emotional opposition. Yet inflation is not the same kind of burden as a high rate of interest; and the inclusion of mortgage interest tends to deter governments from tightening monetary policy because of the headline impact. Oil might be more debatable.

Nevertheless, a large politically induced increase in prices, likely to be either once-for-all or even reversed, is not a good guide to underlying changes in the value of money, especially with non-accommodating monetary policies.

What all the distorting items have in common is that they hit the index with a bang, and then just as suddenly drop out of the 12 monthly comparison. They create a roller-coaster graph, and alternating complacency and alarm.

Indeed, hysteria about the headline rate has drawn attention away from the real source of worry. That is the rise of nearly 2 percentage points in just over a year in the core rate of inflation. It is this which justifies the decision to use a moderately high entry rate into the ERM to exert some downward pressure and to be more hesitant to take anti-recession measures than output and employment indicators would otherwise suggest.

LETTERS

Leadership tests for President Bush

From Mr William Nitze.

Sir, The US should join other OECD nations in committing itself to the stabilisation of carbon dioxide emissions at current levels by 2000 or shortly thereafter, as I have argued at greater length in my report, Greenhouse Warming: Formulating a Convention, (published by Chatham House). Its refusal to do so at the recently concluded Second World Climate Conference makes no sense economically or politically.

The greenhouse warming issue presents President George Bush with an unparalleled opportunity to reassert leadership and to position himself for 1992.

The two key elements of any US response to greenhouse warming are domestic energy policy and assistance to eastern Europe and developing countries. In both cases greenhouse warming provides a justification for implementing policies which are needed in any event.

With respect to energy policy, the US needs to reduce its overall energy consumption, and in particular its consumption of fossil fuels, for both economic and non-climate related environmental reasons. By improving energy efficiency and shifting to a less carbon-intensive fuel mix, the US would decrease its dependence on foreign oil, improve its industrial competitiveness and reduce local air pollution.

The electricity sector is already making progress towards these objectives by adopting demand-side management and least-cost energy planning. For the transport sector to make similar progress, we need a combination of higher petrol taxes, stricter fuel-efficiency standards and point-of-purchase incentives to buy fuel-efficient vehicles.

The president should incorporate all three into his national energy strategy. Any short-term drag on the economy and regressive effects associated with energy tax increases could be minimised by using whatever portion of the tax revenues is not required for deficit reduction to reduce federal income taxes paid by low-income Americans.

With respect to eastern Europe and developing countries, the US needs to join western Europe and Japan in providing assistance to help improve both their economies and the quality of their environments. The administration has already taken small steps in this direction by joining the west Europeans in joint initiatives towards eastern Europe, forgiving official debt to the poorest African countries and helping Mexico implement a debt reduction plan.

Much more needs to be done, however, particularly to deploy energy efficient technologies and to promote conservation of natural resources. Given budgetary constraints, the US and other donors will have to be creative in using their contributions to obtain parallel commitments from multilateral institutions, host country governments and the private sector.

As president of the Alliance to Save Energy and former deputy assistant secretary of state for environment, health and natural resources, I believe President Bush will have no choice but to commit the US to both elements at the 1992 United Nations conference on environment and development. He will not be able to withstand strong public pressure from the whole international community to join in a common effort to address greenhouse warming, particularly in a presidential election year.

The real question is whether he will see the opportunity for leadership early enough to influence the international response. His political future and place in history partly hinges on the answer to this question.

William Nitze,
president,
Alliance To Save Energy,
1725 K Street NW,
Washington DC

Design, quality and performance also count

From Mr Ivor Owen.

Sir, By asserting that price alone determines competitiveness in a market economy, Austin Mitchell (Letters, November 5) does a grave disservice to the many successful British companies investing profitably in non-price factors such as improved design, quality, performance and reliability. He also gives succour to the "can't afford to do things well" school of management still too prevalent in the UK.

Price is, of course, the dominant influence in commodity-type products, but increasingly these are being manufactured in low-cost countries. Advanced countries must concentrate progressively on higher-value products tailored to specific markets. Many companies and individuals do not choose the cheapest products, rather their decision is based on value for money. Investment in non-price factors can pay handsome dividends.

Research by the Open University into the benefits and costs of investment in design – results of which are included in the Design Council's booklet, Design and the Economy – shows that 89 per cent of the implemented design projects examined were profitable, with the average payback period for the total project costs being 15 months.

The lesson to be drawn from the many successful manufacturers in Japan and Germany is that commitment to new and better products (often, especially in the case of Germany, associated with significantly higher prices) can and does win and expand markets. Their response to strong and appreciating currencies has been to invest in technology, design and redesign to ensure high quality, cost-effective products and to invest in education and training to produce a skilled labour force.

From time to time, UK manufacturers have indeed been damaged by sudden, sharp rises in sterling which, practically overnight, can destroy the competitive edge of companies whose only weapon is cheapness. But the sad truth is that sterling has been progressively losing value against the currencies of our serious competitors for 25 years with only short and relatively small breaks in the trend.

The only way that high-wage countries can survive is by increasing the knowledge base and adding value to their products. This, in turn, requires investment in good times and bad. Advocates of competitive devaluation condemn the UK to a low-wage, low product development status.

Ivor Owen,
director general,
The Design Council,
28 Haymarket, SW1

The Howe and why about Emu

From Mr Adam Fergusson.

Sir, Does not your somewhat chaotic editorial comment ("The choice before the UK," November 15) misconstrue Sir Geoffrey Howe's remarks in his resignation speech about economic and monetary union (Emu) and the hard Ecu?

The burden of his remarks was, it seemed to me, the folly of isolating ourselves from the mainstream of European discussion. You state that Sir Geoffrey pointed to the hard Ecu proposal as "a compromise acceptable in the government and sellable in Europe". He did not: that had been its purpose and why he had supported it. But, as he spelt out, there was grave danger that the hard Ecu was "becoming untenable".

This, he said, was because the prime minister had ruled out from the start any compromise on the basic components our 11 partners believed in – "a single currency, permanently fixed exchange rates, a central bank or a common monetary policy". Her threat to veto "any arrangement which jeopardised the pound sterling" meant, he said, not that we could block Emu, but that others could go ahead without us. And her casual remark that she did not consider people would want to use the hard Ecu anyway led to the all too chilling metaphor about the broken cricket bats.

Nor does careful reading of the transcription of Sir Geoffrey's speech in your issue of November 14 reveal that he was less than clear about Emu. His repeated insistence on keeping options open confirms that he is of the "yes, maybe" school, rather than of the "no" or the "yes, regardless". The important thing was "to hold and retain a position of influence in this vital debate" lest we leave ourselves "with no say in the monetary arrangement that the rest of Europe chooses for itself".

Your editorial ended by implying that Sir Geoffrey was among those who ignored the issue of the transfer of power which Emu could entail. That suggestion seemed singularly misplaced about someone who has spent so much effort exposing the realities and confusions about the nature of sovereignty.

Adam Fergusson,
15 Warwick Gardens, W14

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FINANCIAL TIMES
Monday November 19 1990

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Assailed on all fronts over the hard Ecu

Peter Marsh reports on the debate which surrounds the parallel European currency

BRITAIN will today make another effort to win support from other European countries for its plan for a new parallel European currency, the so-called hard Ecu.

Mr Francis Maude, the financial secretary to the Treasury, will discuss Britain's proposal at a one-day meeting of European Community finance ministers in Brussels.

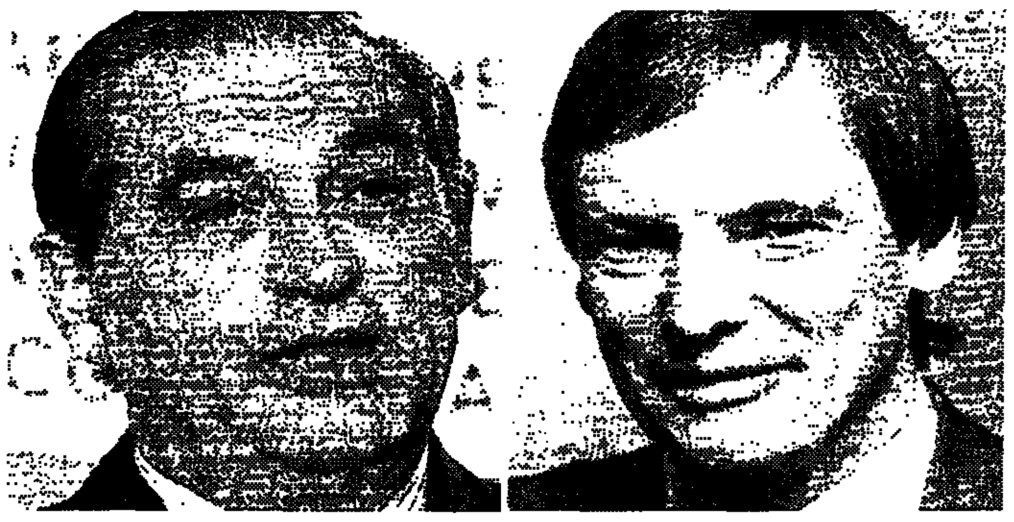
The indications are, however, that Mr Maude will have a tough time. Britain has encountered a barrage of scepticism since proposing five months ago the hard Ecu, to be administered by a new European Monetary Fund (EMF).

While some European Community governments have expressed lukewarm interest in the proposal, a number of commentators have branded the scheme as unworkable and a diversion from the main discussion about European economic and monetary union (Emu). The European Commission and the German Bundesbank have weighed in with their own criticisms.

The final crunch will come for Britain next month at an intergovernmental conference in Rome to discuss the detailed timetable for Emu, stage two of which is due to begin in 1994.

At that meeting, Britain will come under pressure to adapt its hard Ecu proposals to meet the objections: or scrap the idea altogether.

Under Britain's plans, the EMF would be owned and run by the central banks of the EC states. In the first of its two roles, it would act as a treasury authority, issuing hard Ecus in exchange for national currencies from EC countries.



The Bundesbank's Karl Otto Pöhl (left) – an opponent Francis Maude must win over

The Ecus would carry a guarantee that they could never be devalued. They could be used as a parallel currency in company transactions and loans. The EMF would also act as a disciplinary agent, trying to stop lax, inflationary policies through financial penalties.

Doubts about the EMF/Ecu proposals centre on a number of points:

● **Terms of reference.** The UK has been vague about when the EMF would intervene to force countries to buy back their devaluing currencies or how lax monetary policies of individual member states would be defined.

One idea is to agree these points in advance. Thus countries which had budget deficits beyond a certain proportion of national income would be deemed to be running a lax policy, at which point fines would be imposed.

● **Political powers.** The EMF would operate in what Mr Karl Otto Pöhl, president of the German Bundesbank, has called a "grey area" in between national monetary policies and the full-scale operation of a European central bank. According to the hopes of some nations, the central bank would control European monetary policy and administer a new, single currency. Mr Pöhl says the EMF would lead to unworkable compromises and has opposed the idea.

● **The UK's motives.** A senior UK banker associated with the hard Ecu proposal says it is "a marvellous diversionary tactic". He means that the hard Ecu is partly a device for prolonging the Emu debate, in support of Britain's position that Europe should not rush into establishing a new monetary framework.

● **Link with basket Ecu.** The hard Ecu would be separate from the existing basket Ecu, a notional currency created more than a decade ago and which is based on the average weightings of the main European currencies. The two Ecus would be defined differently, but nonetheless might lead to confusion.

● **Timetable to a single currency.** Many industrialists support the idea of a single, rather than parallel, currency for use across Europe as this would help trading across the continent. Ultimately, the European Commission plans that the basket Ecu will form the basis of this new currency in stage three of Emu. Britain says its hard Ecu could lead to a single currency, depending on how much it is used, but is vague about how this might happen.

● **Link with the European central bank.** Britain has not spelt out how the EMF would operate in conjunction with the central bank. The fund could either be a separate organisation, be a part of the central bank, or evolve into it.

One possibility over the next few weeks is that Britain decides to blend some of its ideas about the hard Ecu with some of the existing concepts from other EC countries about strengthening the basket Ecu.

In this way, according to some observers, the basket Ecu and the hard Ecu could come together.

Dropping the hard Ecu and replacing it with another name – the "tough Ecu" perhaps – might be one way for Britain to avoid isolation in the Emu debate.

FRENCH POLITICAL CRISIS

Rocard faces close vote of censure

By **Ian Davidson and George Graham** in Paris

FRANCE'S socialist government today faces its most serious political crisis since coming to power two and a half years ago.

The cabinet of Mr Michel Rocard runs the risk either of parliamentary defeat or of being removed by President François Mitterrand.

The odds seem balanced in favour of Mr Rocard defeating a censure motion laid down by the opposition in the National Assembly, but the vote will be the tightest of the nine censure motions since he was appointed by Mr Mitterrand in 1988. For the first time, the Communist Party has decided to join the right-wing opposition by voting against the government.

Nevertheless, speculation is rife in the political establishment, on the left as well as on the right, that he will survive by such a narrow margin that Mr Mitterrand may take the opportunity to choose another prime minister.

The government already had troubles enough. The slowdown in world economic activity has brought with it a threat of rising unemployment; a sustained opposition attack on Mr Henri Nallet, the justice minister, attempting to associate him with illicit political fundraising, appears increasingly embarrassing for the government; and the reform in the funding of the social security system – the immediate cause of tonight's censure motion – still faces widespread opposition from trade unions.

In the student protest movement which twice last week shook Paris with large-scale demonstrations, Mr Mitterrand has been widely viewed as aggravating the government's difficulties by encouraging the demonstrators to maintain their demands.

Mr Rocard, just returned from the coronation of Emperor Akihito in Tokyo, had to open his chequebook, as he did this summer in the face of angry farmers, and promise FFr4.5bn ($900m) to renovate schools.

The Elysée Palace firmly denies that Mr Mitterrand has any desire to see Mr Rocard fall. Officials add that if he wishes to replace the prime minister, he has no need to engineer a government crisis to do so.

All the same, politicians and journalists from right and left have reacted with shock to what has been widely seen as yet another instance of his recent tendency to curry popularity by siding with protest movements against the government.

Mr Mitterrand has been thought to be behaving for all the world as though he were back in the 1986-88 period of "cohabitation", when the defeat of the socialists in a parliamentary election allowed him to disown responsibility for the policies of the conservative government of Mr Jacques Chirac.

"The president of the republic is, decidedly, the champion of the hospital pass. As soon as a ball seems likely to burn his fingers, he dispatches it, with or without elegance, in the direction of the prime minister," commented Mr Georges Suffert in the Figaro, a conservative daily.

"When reforms work, it is François Mitterrand who takes the glory; when they get bogged down, it is someone else's fault," complained Mr Serge July, editor of the left wing Libération.

Mr Mitterrand's action has been seen as an attempt to reverse the results of the socialist party congress at Rennes in March. Then, an alliance between Mr Rocard and Mr Lionel Jospin, the education minister, and Mr Pierre Mauroy, the old school party secretary, defeated an attempt by Mr Laurent Fabius, the youthful ex-prime minister who is Mr Mitterrand's favourite, to win control of the party.

Despite his problems, Mr Rocard still appears to be in the strongest position for the socialist presidential nomination when Mr Mitterrand's seven-year term expires in 1995. His popularity in the country, unusually high for a prime minister at mid-term, would probably suffer little from a dismissal.

Mr Rocard's aides, in any case, believe that when they have defeated the censure motion, as they confidently expect to do, the prime minister's position will be reinforced.

"The Mitterrand-Rocard marriage is a marriage of reason. It has its calm periods and its more litigious periods, but it is the solidest form of marriage," one adviser said.

Japanese ruling party governor ousted

By **Ian Rodger** in Tokyo

A CANDIDATE representing an alliance of left-wing parties last night ousted the incumbent Liberal Democratic party (LDP) governor of Okinawa after an election campaign fought largely over the national government's aborted plan to send soldiers overseas on peacekeeping missions.

Pacifist sentiment is especially strong in Okinawa, the only substantial part of Japan invaded by US forces during the Second World War. Some 200,000 people lost their lives in the spring 1945 battle there.

Mr Masahide Ota, a former newspaper editor and university history professor, won 52 per cent of the votes, removing the LDP from power in Okinawa after 12 years.

Mr Ota benefited from campaign visits by national leaders of the three main non-Communist opposition parties, all vigorously opposed to the sending of forces overseas. By contrast, the LDP in the prefecture tried to distance itself from the national party, and Mr Toshiki Kaifu and other national party leaders cancelled planned campaign visits.

Mr Ota also campaigned for a reduction of the massive presence of US forces in Okinawa, which is strategically located in the East China Sea between the Philippines, China, and Japan's central islands. The bases occupy about 20 per cent of Okinawa and the US military uses the island as its main staging point in the western Pacific.

Much of this land is leased from local residents on contracts that come up for renewal in 1992, and the prefectural government under Mr Ota is expected to encourage people to resist renewal.

● Mr Ota also criticised Mr Kaifu's plan to send troops to the Gulf, Reuter adds. The plan was abandoned earlier this month but Okinawans strongly opposed the proposal. Mr Ota's victory not only puts a question mark over the bases' future, but may damage Mr Kaifu's ties with the US.

Arms deal overshadowed

Continued from Page 1

destruction of large numbers of Soviet tanks, armoured combat vehicles, artillery, combat aircraft and helicopters.

But the treaty has already been overtaken by political events in eastern Europe and the Soviet Union. Within a relatively short period all Soviet forces are likely to be withdrawn from eastern Europe. In the meantime, the Soviet Union has caused some concern among western governments by withdrawing many weapons east of the Ural mountains, and thus minimising the obligation to destroy excess weapons inventories.

On the western side, the US and Britain are transferring large quantities of weapons to the Gulf and it is unclear whether they will ever be returned to Europe. Meanwhile, it has emerged that virtually all of Nato's reductions under the CFE treaty will be met by the destruction of weapons belonging to the former East Germany.

With the dissolution of the Warsaw Pact in prospect, Mr Gorbachev is expected to portray this week's summit as the first manifestation of a new security structure for the whole of Europe. While western governments strongly support the new Helsinki arrangements, few believe in collective security, and none consider that pan-European structures should replace western defence pacts, such as Nato.

Iraq offers hostage deal

Continued from Page 1

used to justify the military build-up in the Gulf.

Mr Bush mentioned the Gulf crisis in every public statement he made. He said that "just as a new Europe must look beyond its borders, so, too, must a united Germany take responsibility for leadership in our commonwealth of nations. If we conclude that these challenges are not everyone's concern, then we put at risk everything we have achieved."

After meeting Mr Bush, Mr Kohl reaffirmed the general objectives of resisting Saddam Hussein's aggression and restoring "respect for international law," but he offered no endorsement of the possible use of force.

Instead, the chancellor stressed that the release of all hostages was "very important" for all future talks. Earlier in a radio interview, Mr Kohl warned that those urging military action should look to the possible consequences.

During his talks with Mr Kohl, Mr Bush pressed for progress to end the current stalemate in the Uruguay Round trade talks, where there is a strong dispute between the US and Germany over the scale of the possible reduction in farm subsidies.

No mention was made in their concluding public statements of direct humanitarian aid for the Soviet Union this winter, as has been endorsed by the Bonn government.

European steel sector retains protection

By **Charles Leadbeater** in London and **Lucy Kellaway** in Brussels

SIR Leon Brittan, the EC competition commissioner, has given up his battle to scrap the Treaty of Paris, under which the European steel industry has enjoyed considerable protection for the last 40 years.

The Commission has instead recommended that the treaty – which forms the basis of the European Coal and Steel Community – should be maintained until its expiry date in 2002, but in the meantime should be revised so that it gradually dovetails with the Treaty of Rome.

Sir Leon had argued that the steel industry, which is now profitable, should no longer be singled out for special treatment, and that the same rules should apply to steel as to all other industries.

However, the proposal proved unpopular not only with other commissioners but also with the ECSC. The industry is only in favour of making limited changes, such as phasing out the steel levy, which would work in its interest.

The Commission's proposal that implementation of article 58, the most controversial article under which the manifest crisis measures of the 1970s and 1980s were introduced, should be ruled out because of the "improvement in the competitiveness of undertakings and the partially negative results of the production quota system".

Price rules imposed under article 60, which most producers agree are irrelevant, could be replaced by articles 85 and 86 of the Treaty of Rome, the commission proposed.

On the other hand the ECSC argued that the Commission's powers to gather information directly from steel companies might be usefully extended to other sectors. The Commission also recommended that the levy on steel producers, which helps to finance the ECSC, should be maintained.

The committee, made up of steel producers, users and trade unions, supports rather more limited changes to the treaty. Support for the treaty's continuation until 2002 was led by the German producers, along with the the trade unions. However, the French producers, led by Usinor-Sacilor, the largest steel company in Europe, abstained, along with British Steel.

Steel producers do not expect the issue to come up at the inter-governmental conferences in December, but will only be discussed by the Council of Ministers in March.

Brittan trails state aid; Page 6

THE LEX COLUMN

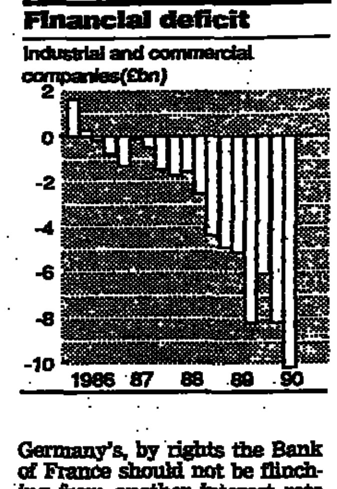
Accounting for the deficit

The recent news from the UK corporate sector may have been far from encouraging. But if the official statistics on the corporate deficit are to be believed, it ought to have been worse again. As the Bank of England noted in its latest quarterly bulletin, the mounting debt incurred to finance this deficit has resulted in interest cover falling well below the levels of the last couple of recessions.

The Bank concludes, in its own inimitable way, that this has increased the fragility of the company sector to the point where adjustment may become urgent. This may be tough talk; but at the micro-level at least, the messages from the corporate sector are less clear-cut. True, Burton has slashed its dividend, and several other companies such as British Airways, S.G. Warburg and Unigate, disappointed by not increasing their pay-outs. Nevertheless, given the fact that next year is going to be even worse than this, the continuing resilience of dividend payments does not sit easily with a record corporate deficit.

Similarly, the latest growth in bank lending to manufacturing industry was surprisingly sluggish, while equity issues in the first 10 months of this year are running more than 25 per cent below the already depressed levels of the last couple of years. Of course, the cynics would argue that this only shows that the City is not prepared to put up equity just to repair company balance sheets. However, when taken with the latest capital spending figures, it raises the question of why the corporate sector is taking so long to adjust to its record deficit.

Clearly, there is worse to come; and it may be that companies have yet to grasp how bad 1991 is going to be. But so far at least, the paradox of a record financial deficit and a very low net borrowing requirement supports Nomura's view that the corporate sector's financial problems have been exaggerated. For equity investors, it will pay to be discerning. If inflation really can fall to 5 per cent next year and the current market yield of 5.6 per cent can be held unchanged through 1991, it all starts to look attractive.



France

The latest mini-crisis in French politics has come at an awkward moment for the economy and the markets. With France's annual inflation rate still behaving itself at 3.3 per cent, only a shade higher than Germany's, by rights the Bank of France should not be flinching from another interest rate cut, to follow October's small reduction. Especially so, since most economists' forecasts for economic growth in 1991 have now been cut back to around 2 to 2.25 per cent, some surveys show business confidence at its lowest since 1987, and corporate earnings are now under heavy pressure.

Hence the unfortunate timing of today's vote in the National Assembly on a no-confidence motion against Mr Rocard, the prime minister, arising from his planned social security reform. Until 10 days or so ago, the main thing delaying another French interest rate cut was the strength of the D-Mark. Now there is the added problem of political uncertainty, symbolised by last week's student riots in Paris, and by today's events. For the fixed-income investor, this is not alarming; at nearly 7 per cent, French real bond yields are looking ready to fall. For equity investors, it is more of a worry. At the end of 1989, ten of the top 40 French companies had net balance sheet gearing of 75 per cent-plus, and in many cases borrowings will have risen still further.

Oil companies

A month ago, the oil sector was comfortably outperforming the UK equity market. Since then it has fallen by more than 10 per cent from its relative peak, partly on a technical reaction when the yields on the big companies dropped below the market. In Europe and the US, oil company shares have marked time or gone backwards. In France, Total pulled a planned rights issue because of market weakness.

Take also the reception given last week to Enterprise Oil's announcement of a strike in its Vietnam field. Granted, the news was carefully downbeat. Oil there may be, but it will take years to appraise its commercial potential. Nevertheless, a two-day gain of 4p was a less than euphoric reaction.

With crude prices still well above their levels before the Gulf crisis, such widespread lack of investor enthusiasm appears strange. There are only partial explanations. First, in recent weeks UK institutions have been asked to swallow £1.3bn of equity in the independent producers, including ICI's holding in Enterprise and Kleinwort's notorious Premier stake. The fact that the shares were placed at all says as much about the quality of the companies' management as about the fact that investors had tripled their money in the independents in the three years since October 1987.

Also hanging over the sector overall are nagging worries over the glut of assets up for sale. Most obvious here is Union Texas; but the Gulf crisis also triggered a wave of offerings in the North Sea as the big companies looked to trim their second-rank assets. This is depressing the short-term outlook. But given that the oil companies are still likely to be growing their dividends by more than inflation and faster than the market, the slowdown in their shares seems overdone.

Xmas rally

It is getting to that time of year again when fund managers give up on the fundamentals and pin their faith on the traditional year-end rally. Since 1962, the UK equity market has risen in the final quarter of the year on 19 occasions, and many managers are convinced that November tends to be the best month of the year. Indeed, with this week's impact day for the regional electricity distributors, the more optimistic may even be hoping that the authorities can engineer some sort of rally with another cut in base rates.

There are various theories for these rallies. There may be an element of window-dressing by some institutions; others may be investing ahead of a seasonal peak in their inflows; and the more generous fund managers may just be thanking their favourite brokers for a good Christmas party. There is no easy explanation for the phenomenon. But even if it happens this time, it will have to be dramatic to prevent 1990 being the first down year in the past 15.

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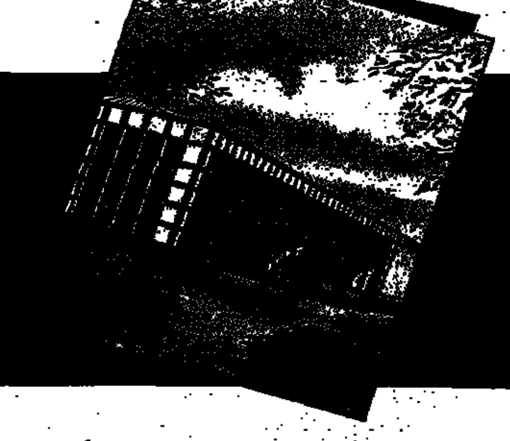

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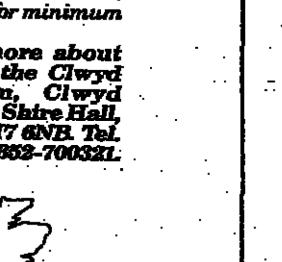

WORLDWIDE WEATHER

City		°C	°F
Ajaccio	F	19	66
Algiers	S	23	73
Amsterdam	F	10	50
Athens	S	21	70
Bahrain	S	25	77
Bangkok	F	32	90
Barcelona	S	17	63
Beirut	-	-	-
Belfast	S	7	45
Belgrade	S	16	61
Berlin	C	8	46
Biarritz	Dr	14	57
Bombay	F	32	90
Bordeaux	C	16	61
Boulogne	-	-	-
Brussels	F	11	52
Budapest	C	10	50
Buenos Aires	F	27	80
Cairo	S	27	81
Cape Town	S	22	72
Caracas	C	33	91
Casablanca	S	22	72
Chicago	-	-	-
Cologne	F	10	50
Copenhagen	F	8	46
Corfu	R	18	64
Dallas	F	15	59
Dublin	S	8	46
Dubrovnik	C	17	63
Edinburgh	S	8	46
Faro	S	22	72
Florence	C	11	52
Frankfurt	F	9	48
Geneva	C	13	56
Gibraltar	S	20	68
Glasgow	R	5	41
Helsinki	C	1	34
Hong Kong	C	27	81
Innsbruck	F	17	63
Inverness	R	6	43
Islamabad	F	23	73
Istanbul	S	18	64
Jakarta	C	35	95
Jersey	C	12	54
Johannesburg	F	26	79
Lima	C	21	70
Lisbon	S	17	63
London	F	11	52
Los Angeles	C	15	59
Luxembourg	C	9	48
Madeira	S	23	73
Madrid	S	16	61
Majorca	S	21	70
Malaga	S	20	68
Malta	S	20	68
Manchester	F	9	48
Manila	R	30	86
Melbourne	F	16	61
Mexico City	F	22	72
Miami	S	16	61
Milan	S	8	46
Montreal	F	-5	23
Moscow	C	4	39
Munich	F	12	54
Nairobi	-	-	-
Naples	F	19	66
Nassau	F	27	80
New Delhi	-	-	-
New York	S	2	36
Nice	F	16	61
Nicosia	S	24	75
Oporto	S	11	52
Oslo	S	5	41
Paris	C	12	54
Peking	S	10	50
Prague	F	7	45
Reykjavik	S	-1	30
Rhodes	S	21	70
Rio de Janeiro	F	33	91
Rome	C	18	64
Salzburg	F	14	57
San Francisco	C	12	54
Seoul	C	13	55
Singapore	R	26	79
Stockholm	F	2	36
Strasbourg	F	12	54
Sydney	S	18	64
Taipei	F	30	86
Tangier	S	22	72
Tel Aviv	S	25	77
Tenerife	S	24	75
Tokyo	C	17	63
Toronto	S	-7	19
Tunis	S	19	66
Valencia	S	22	72
Venice	F	13	55
Vienna	F	16	61
Warsaw	F	6	43
Washington	S	1	34
Zurich	C	12	54

Temperatures at midday yesterday C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sunny Sl-Sleet Sn-Snow T-Thunder

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FINANCIAL TIMES
COMPANIES & MARKETS
Monday November 19 1990

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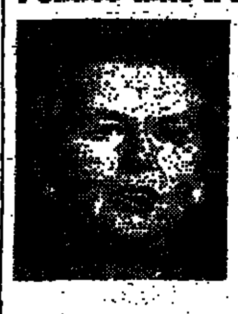
INSIDE

Mixed results for Tokyo traders

Japan's big general trading houses are owed a total of Y370bn ($2.85bn) by Iraq and Kuwait, but they say Japanese government trade insurance will cover most of that. The houses reported mixed results for the six months to end-September. Page 23

Politics take a back seat



While the rest of Britain was mesmerised by a challenge to Margaret Thatcher's (left) leadership last week, the gilts market was more interested in hard economic realities. A drop in base rate is almost certain, according to the gilt market, regardless of how the Conservative party's leadership contest turns out. Page 24

Intellectual in the pink

Vaclav Klaus is an intellectual turned populist barnstormer. Czechoslovakia's finance minister won the highest vote of any Civic Forum candidate in the June elections, after weeks of campaigning in a ministerial Tatra car painted pink. John Llyod talks to the man many point to as Czechoslovakia's next prime minister about his vision for economic reform. Back Page

Tis the season to be jolly

A rare glow of festive cheer warmed the bond markets last week. The widely-anticipated easing in interest rates is only partly responsible for the high spirits. There is a growing sense that the inflationary peak has been passed and that recessionary forces are now firmly entrenched in the US. Nikki Tait reports on the outlook for yields. Page 24

Market Statistics

Companies in this section

Smurfit in Brent Walker debt deal

By Clare Pearson in London

JEFFERSON Smurfit, the Irish paper and packaging group, and its chairman, Mr Michael Smurfit, have emerged as significant backers of Brent Walker, the financially-stretched UK leisure group, by buying about 25 per cent of a £100m ($196m) bond issued to refinance its debts.

Jefferson Smurfit also confirmed yesterday that it had agreed to form a joint venture company with Brent Walker to develop leisure interests in Ireland.

Mr Smurfit is personally subscribing for £10m of the £103.3m bond, which is convertible into Brent Walker's ordinary shares, while his company is taking £15m worth.

The deal gives Jefferson Smurfit the right to appoint a director to the Brent Walker board. Full conversion of the £25m would give investors just over 10 per cent of the enlarged equity.

In a separate weekend development, Brent Walker posted long-awaited details of its new banking arrangements to shareholders, who are also being offered the chance to buy the bond.

This document shows the banks have demanded Brent Walker should pay interest on its loans at a level much higher than normal, reflecting its pressing need for funds.

It has agreed to pay 2.25 per cent over the London interbank offered rate, the benchmark at which banks lend to each other in the interbank market.

This document also reveals that the company underestimated its borrowings by some £70m when it published hastily-compiled listing particulars for the bond last month. These had shown indebtedness, excluding £50m contingent liabilities, of about £1.4bn.

Jefferson Smurfit's commitment to invest in the bond dates back to September. But the pledge was not revealed then, as it was made through Svenska International, one of six placees who agreed they would buy £66m of the issue.

A Jefferson Smurfit official said yesterday £15m was well within current limits on the amount the company had available to spend without requiring shareholders' permission.

The company already has a significant presence in the leisure industry in Ireland through projects such as Straffan House, a country club and golf course in County Kildare, and investments in sports sponsorship.

No details of the joint venture with Brent Walker were available yesterday.

Brent Walker's shareholders who wish to take advantage of clawback arrangements must apply by 3pm tomorrow afternoon. However, in his letter to shareholders Mr George Walker, chairman, says the the terms of the issue are "commercially unattractive". The conversion price of 140p, fixed before Brent Walker's recent sharp share price fall, compares with a closing price on Friday of 89p.

Smurfit: significant backer

Water groups splash out on new ventures

One year after privatisation, many UK companies are diversifying abroad, reports Andrew Hill

AT TIMES over the last 12 months, Britain's 10 former water authorities have looked like disgruntled body-builders searching for tests of strength.

A year ago this week, the 10 companies were flexing their muscles on the public relations platform. Amid the usual hollow razzmatazz, Mr Michael Howard, then environment minister, set the price for the share issues to privatise the companies. Thirsty British and international investors swallowed them. But since then, not a lot has happened.

That is hardly surprising. Water, as the industry never stopped telling potential investors, is a long-range business. By Christmas all the new quoted companies will have reported their half-year results – the first to cover the period after flotation. But analysts warn against reading too much into the figures, as six months is not a long time for utilities which measure their capital expenditure programmes in decades.

While the regulated utility side of their business is forced to march to a very slow tune, there has been nothing to prevent the 10 water companies from moving swiftly to expand their unregulated non-core activities, with a varied degree of success.

Among the failures, none has been more humiliating or more public than the £78m ($152m) hostile bid by Severn Trent, one of Britain's largest privatised water groups, for Caird Group. The water company, chaired by the extrovert Mr John Bellak, lapsed its offer for the waste disposal group last month after Caird cut its original profit forecast and made substantial extraordinary provisions against disposal losses and closure costs. Severn Trent's withdrawal left it with the millstone of a 29.9 per cent stake in Caird Group.

The move angered competitors, who believed Severn Trent had damaged the public perception of the industry, and worried analysts. They described the bid as, at best, an unfortunate misjudgment, and at worst, the product of naive machismo.

Mr Roy Watts, chairman of the largest water company, Thames Water, was one critic of the Severn Trent move. Both he and Mr Bellak had a reputation in the City of London before privatisation as keen diversifiers. Although Thames' ambitions seem to have calmed down in the last year, the group has had to work hard on its largest venture outside the regulated activities – the PWT water treatment business, bought from Portals Holdings for £30m immediately after flotation.

Under provisions in the sale agreement, Thames is now claiming about half the purchase price back from Portals to cover a shortfall in the assets which it bought. Thames says the clauses were written into the agreement to cover just such an eventuality, but some analysts seem more concerned.

They are happier with water companies which have concentrated on growing small, non-core subsidiaries organically, from fish farming to cable television. And those which have focused on operations close to the central business, such as laboratory services (selling analytical skills commercially) and plumbing, are especially welcome.

A year on, water companies give several reasons why they still wish to expand beyond their core utility operations.

For one thing, diversification offsets the regulatory risk inherent in the core business, and the political danger that the regulator will take a tougher line if influenced by an unsympathetic Labour government.

"There must be a risk that any of the productivity gains we have been able to accumulate will be clawed back by the regulator when he decides in 1995 how [price-rise limits] should be set for the next five years," says Mr Roderick Paul, Severn Trent's chief executive, who describes the abortive Caird bid as "a setback, not a change" in the group's strategy.

He still wants to enhance the group's performance through diversification, principally in the waste disposal business and through operating contracts in developed non-UK markets such as Europe and the US.

In that respect, Severn Trent's global ambitions differ from those of Thames, which has limited its international role to consultancy and training services for water projects in developing countries.

Its overseas subsidiary serves as a vehicle for spreading the Thames name worldwide.

A year ago, observers speculated that the big UK water companies wanted to emulate France's largest private sector water suppliers. Compagnie Générale des Eaux and Lyonnaise des Eaux (now called Lyonnaise des Eaux-Dumez) have built up interests as diverse as funeral directing, broadcasting and construction.

The French are also heavily involved in overseas operations – in Europe, the US and the Far East. In the last three years, three French water suppliers have made well-publicised bids for almost half of Britain's smaller private sector companies, and taken stakes in some of the 10 former authorities.

But most British water companies are likely to prove less ambitious. They will opt for domestic diversification into the civil engineering sector, which will help speed the water industry's enormous capital expenditure programme.

North West Water has evolved its low-risk strategy during the last year and announced the £51m acquisition of three water and waste water process companies – based in the US, UK and the Irish Republic – at the beginning of this month.

"The first benefit is going to be for our own programme," says Mr Bob Thian, the group's chief executive. "[The acquisitions] enable us to do it faster and cheaper and be more certain of the results. But we expect that if we achieve the aim of technology leadership in the area, we would have a good [commercial] market position too."

Most water companies admit with hindsight that they made "sensible noises" about non-core activities before privatisation because such muscle-flexing seemed to suit their newly-formed images in the City. According to analysts, that was a misconception and, in any case, the rigours of operating in the private sector and the collapse of the Severn Trent bid for Caird have banished it.

The effect on Severn Trent's share price would have been enough to frighten most. Even the most critical analysts seem to agree that Severn Trent made a good case for buying Caird. But, having matched Thames Water's share price performance against other water utilities and the market for most of the year, Severn's shares took a turn for the worse once the bid was launched. Since the end of September, the shares have slipped from 220p to about 200p.

The experience does not seem to have deterred the Midlands group. Like the other water companies, it is still looking for ways to build on its strengths.

Roy Watts (left) of Thames and John Bellak of Severn Trent are still looking for ways to build on their companies strengths

Economics Notebook: Wages and the ERM

Belgium shows the pay path

EVENTS in Belgium rarely attract much attention in Britain, and this can be a pity.

For after a week of dire news on the UK wages front, the British government and employers should be casting envious eyes in Belgium's direction.

The country's employers and trade unions last week reached a national agreement on wages and working conditions for 1991 and 1992 that will add just 0.3 per cent on top of the prevailing inflation rate to the country's wages bill in each of the two years.

The agreement is not binding and its central element – an increase of BFr500 a month in 1991 and BF400 in 1992 to Belgium's current minimum monthly wage of BF36,856, or £617 and $1,210 – applies to only a small minority of the work force.

But the pact is expected to set the tone for settlements at company level. Despite the impact of higher oil prices on inflation, nominal wage increases in Belgium look set to rise at less than half the rate of current British increases.

For those workers on minimum wages, the increases and other benefits agreed last week will mean real, inflation-adjusted wage rises totalling about 2.7 per cent spread over the next two years. The significance of the pact for the bulk of Belgium's labour force is that this will be a ceiling for their real pay rises.

Wages in Belgium are indexed to the rate of inflation, which is currently running at a relatively high annual rate of 4.3 per cent because of the Gulf crisis. Long before Iraq launched its tanks against Kuwait, the Belgian authorities were envisaging limiting the rise in nominal wage increases to 5 per cent annually. The new pact means that there is a good chance that this goal will be achieved with real wage increases limited to about 0.5 per cent annually.

Belgium's wage deal is relevant to Britain, now that the UK has become a fellow member of the exchange rate mechanism of the European Monetary System.

Belgium and Britain have much in common and similar industrial structures. Belgium was, after Britain, the second European country to experience the 19th century industrial revolution. Yet the wages picture can hardly be more different.

Last week's Department of Employment figures showed that average earnings in Britain were rising at an annual, seasonally-adjusted 10.25 per cent in September. Wages and salaries per unit of output in manufacturing rose by an annual 10.6 per cent that month, producing a decline in productivity.

October's unchanged annual inflation rate of 10.9 per cent probably marks the peak of the current inflation cycle. Yet this still triggered a 13.4 per cent pay rise at Ford under the terms of a two-year agreement reached last year. That will be more than twice the nominal wage increases that can be expected by Ford workers at the company's Genk plant in Belgium.

The bad news on earnings and productivity was released at the same time as October's unemployment report, showing a 32,200 increase in seasonally-adjusted unemployment in the month. While Britain is entering recession, Belgium is sticking to its forecast of about 3.7 per cent growth this year.

The Bank of England hopes sharply rising unemployment will exert some downward pressure on UK wage increases. But experience also suggests there is a lag of about six months before a fall in UK inflation is translated into a fall in wage settlements.

Even if the government's recent Autumn Statement forecast of 5.5 per cent inflation by the end of 1991 proves correct, it is likely that British wage increases in a year's time will still be far above those of the UK's continental competitors.

In these circumstances, the results for British industry of ERM membership could be painful indeed.

The Belgian unions and employers explained that their wage deal was in the interests of maintaining job security and Belgium's international competitiveness. In particular, it reflected a decision by the Belgian government and national bank that is in some ways similar, and just as important, as Britain's decision to join the ERM.

Britain has subjected the pound to the six per cent fluctuation margins of the ERM after more than 18 years of floating. Belgium, meanwhile, has decided to bind its franc more closely to the Deutsche mark after 11½ years of allowing it to fluctuate within the 2.25 per cent narrow band of the EMS.

The willingness of both sides of Belgian industry to take this move into account in their agreement is doubtless an example that the Bank of England would like to see followed in Britain.

But there are institutional differences that make the task of the Belgian authorities easier. Mr Alfons Verplaetse, the Belgian National Bank governor, is a protégé of the country's Christian trade union movement. And he has made a point of using the weekly meetings of the central bank's council of regents – on which trades unionists and employers are represented – to promote the need for consensus and wage moderation.

Peter Norman

Nadir flies to Cyprus to rally the local troops

By John Murray Brown in Kyrenia, northern Cyprus

"DON'T look so depressed," Mr Asil Nadir told the long line of managers from his local operations greeting him on Friday at Ercan airport in the self-proclaimed state of northern Cyprus.

Mr Nadir's visit to the area could yet decide the fate of Polly Peck, his fruit-to-electronics group forced by financial pressures to seek UK court-appointed administrators.

Yesterday he discussed his next move with managers of his nine local companies. One of them said Mr Nadir intended to stay on the island for about 10 days. A week from today, a northern Cyprus court is to review the injunction by 11 local citrus growers which prevents access to the accounts of Polly Peck's local subsidiaries by all but company staff.

It will be the longest period he has spent on Cyprus since Polly Peck's crisis began. It is also the first time he has been accompanied by his personal lawyers, Robert Burrow and David Kinch.

Mr Nadir appeared more resigned than before, but he still insisted he remained in charge of local operations – even though administrators are running Polly Peck from London. The group says it will secure at least half of the island's citrus crop which in 1989 was worth $21m, according to the State Planning Organisation in northern Cyprus.

Polly Peck's profits last year included £107m ($210m) from the group's Near and Middle Eastern operations. But, as the administrators are now discovering, confusion still surrounds the exact legal and financial status of the Cyprus operations.

Nadir: 'in charge'

Polly Peck is not a registered company in northern Cyprus. Its local operations include Sunzest Trading, a citrus exporter, and Uni-pac Packaging, a packaging plant in the freeport of Famagusta.

Two weeks ago, Mr Richard Stone, one of the UK administrators, spoke to Sunzest officials but was unable to see the company books because of the local court order. But, said one Nicosia lawyer, if the administrators can show they are the major shareholder in the local companies, they can appoint new directors and gain access that way.

With the citrus harvest in full swing, Mr Nadir's visit could have a crucial effect on Polly Peck's ability to raise short-term cash.

This announcement appears as a matter of record only.

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ANGLO LEASING plc
£100,000,000
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Lead Manager
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Co-Managers
Girozentrale Vienna, London Branch
The Nippon Credit Bank, Ltd.

Participants
Arab Bank plc, London Branch
Baring Brothers & Co., Limited
The Bank of Nova Scotia
BfG: London Branch
Crédit Lyonnais
The Chuo Trust and Banking Company, Limited
DG BANK Deutsche Genossenschaftsbank, London Branch
Swiss Volksbank
Arab Banking Corporation (ABC)
Banca Nazionale del Lavoro, London Branch
Banque Française du Commerce Extérieur

COMPANIES AND FINANCE

US securities houses to hold credit quality

By Deborah Hargreaves

IN SPITE of the current shake-out on Wall Street, Moody's Investors Services, the US credit rating agency, says US securities houses are expected to maintain their credit quality over the next three to five years.

This will be achieved by moves to cut excess capacity, drop unprofitable lines and focus on their core strengths, according to the agency's annual report on the securities industry.

However, Moody's stresses there are credit risk implications in emerging issues such as moves towards closer regulation of the securities business as well as the liberal sation of world capital flows.

In the last decade, overhead expenses for Wall Street firms have quadrupled to $57.7bn, but aggregate pre-tax earnings for the houses which are rated by Moody's were lower in 1989 at $1.8bn than they were in 1980. Profits are expected to decline even further next year as securities houses struggle with a cyclical downturn in revenues and continuing fierce competition.

Moody's expects the securities houses to continue to slash the workforce as well as retreat from entire product lines and move away from overseas business in the next five years. There could be more mergers, realignments and even outright failures like that of Drexel, the agency predicts.

While many of the Wall Street firms have been developing new business lines, these are not expected to be as lucrative as the US and global markets in the buoyant early 1980s. The creation and sale of derivative instruments is one of the few areas that still offers attractive margins, but these carry their own complex risks and offer a relative lack of liquidity.

Frank Gates halved to £553,000 at midway

PROFITS OF Frank G. Gates, the London-based Ford main dealer, have been halved to a "disappointing" £553,000 pre-tax in the six months to June 30, against £1.25m in the previous first half.

Mr Edward Gates, the chairman, said the result was below the average in the market sector.

At the interim stage in 1989, he had warned that he was "not too optimistic for 1990".

In the event, operating profits on new vehicles declined by more than 50 per cent and the parts performance was down, but profits increased for used cars and servicing.

The contract hire fleet is to be sold.

Sales were down 16.5 per cent at £37.27m (£44.63m) and interest payable jumped 54 per cent to £739,000 (£480,000).

This time there was no loss from the profit-sharing scheme (£75,000).

Earnings declined to 1.71p (3.88p) per share.

Giddings contract with SW Wood not renewed

By Jane Fuller

MR BARRY GIDDINGS, part of a quartet that early this year attempted to seize management control of Headlam Group, a footwear and fabrics company, has resigned from a subsequent appointment at SW Wood Group.

Mr Giddings became chief executive of Wood, the much diminished metal trader and aluminium smelter, in May. "He came in with the intention of acquiring engineering-based businesses, which we have not done," said Mr Peter Rae, managing director of Wood. Mr Gidding's contract was not renewed.

Mr Giddings said his departure was agreed mutually, partly because the type of companies he was interested in acquiring would not necessarily suit Wood. He was looking for another opportunity to gain board control of a publicly quoted company and use it to make acquisitions. He had individual and institutional backers and the deals he was considering ranged from £500,000 to £20m.

The post at Wood was the first time he had been on the board of a publicly quoted company.

Wood has announced an interim pre-tax profit of £32,000 for the six months to September 30, compared with a loss of £1.92m. Turnover on continuing activities fell to £2.87m from £4.56m. Earnings per share were 0.4p, compared with a loss of 15.5p. There is no interim dividend.

Last year's interim loss, chiefly blamed on Braemar, the steel trading subsidiary which has since been closed, led to the departure after only eight months of Mr Robin and Mr Nigel Matthews, the South African brothers who headed a group of investors. After they bought in at 160p in April last year, Wood's share price rose to 273p. On Friday it closed unchanged at 28p.

> " He came in with the intention of acquiring engineering-based businesses, which we have not done " — Peter Rae

Mr Rae, who has a 17 per cent stake in Wood, including a 3 per cent parcel bought from the Matthews brothers at 127p a share, said the group now comprised an aluminium smelting business and two metal trading depots. Both businesses were trading profitably and the sale of one of them was being discussed.

In the first half a depot at Wellingborough was closed and sold, giving an exceptional profit of £101,000, which more than offset an operating loss.

The group had more than £1m in the bank and was now a "low-cost, clean shell", said Mr Rae.

Rather than imposing an expensive management structure on another company, it was now looking to opportunities to "bring on board better businesses with proven managements" and it was not retricting itself to the engineering field.

But it was a difficult time to sell the advantages of listed company status.

Mr Giddings, an engineer with a master's degree in business administration, has held management positions at, among others, Blue Circle Industries and Arthur Bell. He was chief executive of Harefield, a small, private rubber company, before leaving in 1989 to try to find a publicly quoted vehicle.

Headlam narrowly fought off the attempt by Mr Giddings and three others to wrest management control from the board headed by Mr John Chaplin. Mr Giddings retains a 0.5 per cent stake.

Norton rebels will fight on

By Deborah Hargreaves

SHAREHOLDERS in the Norton Group, the motorcycle and specialist engineering combine, approved late on Friday the £8.2m acquisition of a German fastener manufacturer and an accompanying rights issue.

The approval by 80 per cent of the shareholders came after a stormy extraordinary meeting when a group of dissidents tried to block the deal.

But the rebel shareholders have vowed to fight on and to try and prevent dealings in the new Norton shares starting on the Stock Exchange this morning.

The dissident shareholders are led by Mr Yehuda Mendelsohn, who heads Norton's US subsidiary Pro-Fit, and has an 8.5 per cent stake in the company.

Mr Philippe Le Roux, chief executive of Norton, said yesterday that the acquisition of the German company, FUS Beteiligungs-und Verwaltungs, was extremely important for the company and would double its profits.

But he denied claims by the dissident shareholders that his group faced bankruptcy if it did not complete the takeover.

Mr Le Roux said he would be very surprised if trading in Norton's shares did not go ahead as usual this morning. Until dealings began, the rights issue could not be declared unconditional.

£7.5m cash offer for McLaughlin & Harvey

TBF Thompson (Securities), a privately-owned company incorporated in Northern Ireland in April 1986 but which has not traded since that date, is making a contested £7.5m cash offer for McLaughlin & Harvey, which is involved in a wide range of construction and refurbishment work, including commercial, industrial and public authority work.

The terms 135p in cash for each ordinary share in McLaughlin, which compares with a Friday close of 130p. The offer for the McLaughlin 5 per cent preference £1 shares is 100p cash.

The McLaughlin board said it had noted the unsolicited and unwelcome takeover bid from TBF Thompson and was unanimous in its view that the bid was opportunistic, derisory and totally unacceptable.

Directors advised shareholders to take no action.

TT Group to raise £9.7m with preference issue

IN ORDER to reduce borrowings following its recent acquisition of Crystalate, TT Group, the industrial holding group, is making an issue of 10m convertible preference shares at 100p per share to raise £9.7m, net of expenses.

Samuel Montagu is making an open offer inviting applications for shares at the placing price, on the basis of one convertible preference share for every 6.25 TT ordinary held.

Mr John Newman and Mr Nicholas Shipp, both directors, and certain institutional shareholders, in total holding 20.7m TT ordinary shares (33.1 per cent) will not take up their entitlements, thus enabling 3.31m convertible preference shares to be placed firm with an institutional investor.

The balance of 6.69m preference shares has been conditionally placed with institutional investors and is subject to recall.

The TT board said it estimated the Crystalate acquisition to have involved total net cash expenditure of £19m. Since TT obtained control of Crystalate, active measures to reduce costs – including the closure of its former head office – have been taken.

UPL shows significant improvement

UPL Group, the food importer, distributor and manufacturer which trades on the Third Market, returned to profit at the operating level and near break-even at the pre-tax stage in the half year to July 31.

On turnover of £4.91m (£6.69m) there was a turnround from an operating loss of £238,000 to a profit of £117,000.

But that has been outweighed by higher interest charges, leaving the group still in loss although at a much reduced £15,000 pre-tax, against £330,000. The loss per share came to 0.34p (6.55p).

NEWS DIGEST

Hawtal shares fall 25p on profit warning

SHARES in Hawtal Whiting Holdings fell 25p to 90p on Friday on news that the company, which provides a range of design engineering consultancy services, was unlikely to do more than break even in in the second half of 1990.

In August, Hawtal reported interim pre-tax profits ahead at £634,000 (£489,000). However, Mr John Whitecross, the chairman, said on Friday that the second half performance would be hit by the weakening of the US dollar since the summer, together with an unexpected shortfall of orders at the performance analysis subsidiary, HW Structures.

British Investment net assets decline

Over the six months ended September 30 1990 net asset value at British Investment Trust fell by 19 per cent, from 766p to 617p.

That meant over the 12 months from the last interim statement the value had declined from 802p, or by some 23 per cent.

In the half year to September 30, gross income surged to £16.77m (£11.28m) and revenue available for ordinary shareholders increased to £8.36m (£7.41m).

Earnings per share came to 13.4p (11.9p) and the interim dividend is 9.5p (9p).

The subsidiary, Edinburgh Fund Managers, was not consolidated: It paid out £990,000 (£575,500) in dividend and that was included in total income.

Tamaris forced into red by unfilled homes

Low occupancy in its larger nursing homes and high interest rates continued to hit Tamaris, the nursing home and healthcare operator, and in the half-year ended September 30 it incurred a loss of £460,000.

That followed a loss of £313,000 in the second half of last year, after a £14,000 profit in the first.

In August Chalfont Lifecare invested £2.7m in Tamaris and a new board was appointed. The investment, plus the sale of a nursing home in July, gave the group an extraordinary profit of £241,000 (£32,000) and enabled the preference dividend to be paid.

Loss per share was 8.57p (1.05p) and 5.02p (0.78p) assuming conversion of preference shares.

The recent cut in interest rates was expected to make it easier for clients to sell their own homes and therefore easier to move into nursing homes.

Clyde Blowers advances 42%

Clyde Blowers, engineering group, raised pre-tax profits by 42 per cent from £279,812 to £397,200 for the year to August 31 1990. Turnover increased 19 per cent to £4.78m, against £4.02m.

Investment income was little changed at £183,023 (£181,044). After tax of £122,140 (£101,816) earnings per share were 27.5p (17.8p). The final dividend is 7.07p for a total up from 7.15p to 7.9p.

LAST WEEK'S CROSS BORDER DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
CS Holding (Switzerland)	CS First Boston	Investment banking	£153m	Parent ups stake to 60%
Eastman Kodak (US)	Amerlite Diagnostics (UK)	Clinical reagents	£84m	Two-stage Amersham sale
General Electric (US)	Thorn EMI business	Lamp making	£69m	Two-stage Thorn sale
Sanofi (France)	Chinoin (Hungary)	Pharmaceuticals	£38.5m	Hungary ok's 40% stake
Kvaerner (Norway)	Clavis Maris Finlandia (Finland)	Shipyards	£17.4m	Needs regulatory ok
Blenheim Exhibitions (UK)	Gramac (France)	Conferences, exhibitions	£11.4m	Blenheim buys again
Invesco MIM (UK)	Primco (US)	Fund management	£36.9m (max)	Conditional agreement
Banca Commerciale Italiana (Italy)	Banque Sudameris France (France)	Banking	N/a	Belated Int'l expansion
Yosef & Moise Safra (Brazil-based)	First Int'l Bank of Israel (Israel)	Banking	N/a	Majority stake bought
La Repubblica (Italy)/ El Pais (Spain)	Newspaper Publishing (UK)	Newspaper publishing	£21.5m	Independent less independnt

Source: FT Mergers & Acquisitions International

The need for fresh capital drove two of the week's more interesting deals, writes Brian Bollen.

The most eye-catching of several transactions in banking and financial services was the latest redrawing of the complex CSFB ownership equation. In a US$300m restructuring prompted by losses at US subsidiary First Boston, CS Holding of Zurich will take majority control of investment banking affiliate CS First Boston and reassume majority ownership of European investment bank Financiere Credit Suisse First Boston, surrendered at the start of last year. The Federal Reserve-approved move represents the first time a foreign company has taken control of a major Wall Street securities house, and is another important breach of the Glass-Steagall Act which separates commercial and investment banking.

Newspaper Publishing, the loss-making publisher of UK newspapers The Independent and The Independent on Sunday, bought some much-needed breathing space with the sale of a 25 per cent stake to two other European quality newspapers, La Repubblica (Italy) and El Pais (Spain). Apart from strengthening existing links, the sale of new shares apparently heralds the creation of a new joint venture to invest in Europe's growing media.

In one of the largest foreign investments so far seen in Hungary, French pharmaceuticals concern Sanofi agreed to pay some US$75m for 40 per cent of state-owned Chinoin, Hungary's second-largest pharmaceuticals company.

TESCO

TESCO PLC

£115,000,000

4% Convertible Bonds 2002

(the "Bonds")

(formerly convertible into Ordinary Shares of Tesco PLC ("Ordinary Shares"))

NOTICE TO BONDHOLDERS

Tesco PLC hereby gives notice to the holders of the Bonds which had not been surrendered for either conversion or redemption at close of business in London on 25th September, 1990 and still remain unsurrendered (the "Unpresented Bonds") that:–

(1) pursuant to the Notice to the holders of the Bonds published in the Financial Times on 8th August, 1990 the right to convert the Bonds into Ordinary Shares expired on 15th September, 1990 and the redemption date in respect thereof was 23rd September, 1990;

(2) on 25th September, 1990, pursuant to Condition 5(d) endorsed on the Bonds and Clause 6(H)(i) of the Trust Deed constituting the Bonds, Guardian Royal Exchange Assurance plc as trustee (the "Trustee") elected to apply the aggregate principal amount of all of the Unpresented Bonds in subscribing for Ordinary Shares and on 26th September, 1990 the Trustee sold the said Ordinary Shares; and

(3) instead of the aggregate of the principal amount, premium and interest accrued to 23rd September, 1990, aggregating £1,053.67 per £1,000 face amount of Unpresented Bonds, the amount of £1,265.23 per £1,000 face amount (being the due proportion of the aggregate of the total net proceeds of sale and total net amount of interim dividend payable to the Trustee in respect of such Ordinary Shares and attributable to holders of Unpresented Bonds) is available against due surrender of each Unpresented Bond (together with all relative unmatured Coupons) at the specified office of any of the Paying Agents whose names and specified offices are set out below subject to and in accordance with Conditions 6 and 9 endorsed on the Bonds.

PRINCIPAL PAYING AGENT

The Chase Manhattan Bank, N.A.
Woolgate House
Coleman Street
London EC2P 2HD

OTHER PAYING AGENTS

Chase Manhattan Bank Luxembourg S.A.
5 Rue Plaetis
L-2338 Luxembourg

Chase Manhattan Bank (Suisse)
63 Rue du Rhone
CH-1204 Geneva

Banque Bruxelles Lambert S.A.
24 Avenue Marnix
B-1050 Brussels

Issued by: Tesco PLC

Date: 19th November, 1990

TESCO

Jardine Matheson

1990 Interim Dividend

For the purpose of calculating the number of new ordinary shares to be allotted to those Shareholders who have elected to receive the 1990 interim dividend in scrip, the relevant average last dealt price of the Company's ordinary shares for the five trading days up to and including 16th November 1990 was the equivalent of US$3.98. The number of new ordinary shares which Shareholders will receive will be calculated by multiplying the number of ordinary shares, in respect of which they elected to receive an allotment of ordinary shares credited as fully paid in lieu of cash of US¢3.15 per ordinary share, by the following fraction: —

$$\frac{0.0315}{3.98}$$

Thus a holder of 2,000 ordinary shares who elected to receive an allotment of ordinary shares credited as fully paid in lieu of cash will receive 15 new ordinary shares.

Fractions of new ordinary shares will be aggregated and sold for the benefit of the Company.

The dividend warrants in respect of the cash dividend and the certificates for the new ordinary shares in respect of the elections for scrip, will be posted to Shareholders on 4th December 1990 subject to one or more of the following listings having then been granted. Applications have been made to The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited, The Stock Exchange of Hong Kong Limited and the Luxembourg Stock Exchange for listing for and permission to deal in the new ordinary shares.

By Order of the Board
R. C. Kwok
Company Secretary

Hong Kong, 16th November 1990

Jardine Matheson Holdings Limited
Incorporated in Bermuda with limited liability

First Union Corporation
U.S.$150,000,000
Floating Rate Notes due 1996

The rate of interest per annum on First Union Corporation's U.S. $150,000,000 Floating Rate Notes due 1996 for the interest period beginning 16th November, 1990, and ending 19th February, 1991, the next interest payment date, will be 8⅞%. The amount of interest payable for such interest period on each $10,000 principal amount of the Notes will be $216.06.

Bankers Trust Company, London Agent Bank

Correction Notice

Banque Indosuez
U.S. $125,000,000
Floating Rate Notes due 1997

For the six months 21st May, 1990 to 20th November, 1990 the Notes will carry an interest rate of 8⅞% per annum and coupon amount of U.S. $447.97 per U.S. $10,000 Note.

Listed on the Luxembourg Stock Exchange

Bankers Trust Company, London Agent Bank

NOTICE OF REDEMPTION
To the Holders of

Northeast Savings, F.A.

U.S. $125,000,000 Collateralized Floating Rate Notes Due 1995

NOTICE IS HEREBY GIVEN to the Holders of the Outstanding Notes described above that, pursuant to the Indenture, dated as of December 10, 1985 (the "Indenture") between Northeast Savings, F.A. (the "Issuer") and The Chase Manhattan Bank, N.A., as Trustee (the "Trustee"), under which U.S. $125,000,000 Collateralized Floating Rate Notes due 1995 (the "Notes") were issued, the Issuer has elected to and will redeem the Notes on the Interest Payment Date in December 1990, December 19, 1990.

The Notes are being redeemed by reason of the exercise by the Issuer of its option as set forth in Section 5.03 of the Indenture. In accordance with Section 5.03, the Notes will be redeemed at a price equal to 100% of the principal amount, together with accrued and unpaid interest to the date fixed for redemption. The conditions precedent to such redemption have occurred.

Payments on Bearer Notes and interest coupons will be made on and after December 19, 1990, in the case of a Bearer Note, against presentation and surrender of such Bearer Note with all interest coupons maturing after the date fixed for redemption, and, in the case of interest coupons maturing on or prior to the date fixed for redemption, against presentation and surrender of such interest coupons, and in each case at the offices of the Paying Agents set forth below by a United States dollar check drawn on a bank in New York City or by transfer to a United States dollar account maintained by a Holder with a bank outside the States.

Bearer Notes' Paying Agents

The Chase Manhattan Bank, N.A.
London Branch
Woolgate House, Coleman Street
London EC2P 2HD, England

Chase Manhattan Bank Luxembourg, S.A.
5 Rue Plaetis
L-2338, Luxembourg Grand.

Chase Manhattan Bank (Switzerland)
63 Rue du Rhone
CH-1204 Geneva, Switzerland

Bank Brussels Lambert, S.A.
Avenue Marnix, 24
B-1050 Brussels, Belgium

Payment of principal on Registered Notes, together with any interest accrued to the date fixed for redemption, will be made on and after December 19, 1990, to the person in whose name such Registered Note is registered against presentation and surrender of such Registered Note at the principal corporate trust office of The Chase Manhattan Bank, N.A. in New York City by a United States dollar check drawn on a bank in New York City or, upon written request by the Holder thereof to the Trustee not later than the close of business on December 4, 1990, by transfer to a U.S. dollar account maintained by the payee with a bank in New York City.

Registered Notes' Paying Agent
The Chase Manhattan Bank, N.A.
Corporate Bond Redemptions
One New York Plaza
Box 2020
New York, New York 10081

On and after December 19, 1990, the Notes will no longer be deemed to be outstanding and interest thereon shall cease to accrue.

Payment pursuant to the presentation of the Notes for redemption made by a transfer to a United States dollar account maintained by the payee with a bank in the United States, may be subject to reporting to the United States Internal Revenue Service (IRS) and to backup withholding of 20% of the gross proceeds (including premium, if applicable) if a payee fails to provide a paying agent with an executed IRS Form W-9 in the case of a non-U.S. person or an executed IRS Form W-9 in the case of a U.S. person. Those Holders who are required to provide their accurate Taxpayer Identification Number and who fail to do so may also be subject to an IRS penalty of U.S. $50. Accordingly, please provide all appropriate certification documents when presenting the Notes for payment.

NORTHEAST SAVINGS, F.A.
By: THE CHASE MANHATTAN BANK, N.A., as Trustee

Dated: October 22, 1990

FannieMae

Federal National Mortgage Association

¥7,000,000,000

Floating Rate Japanese Yen Debentures Due May 17, 1996

Notice is hereby given, that the rate of interest from November 17, 1990 through and including May 16, 1991 is 7.19% per annum. Interest payable on May 17, 1991 will amount to ¥35,655 per ¥1,000,000 principal amount.

By: The Chase Manhattan Bank, N.A. London, Fiscal Agent

November 19, 1990

CHASE

Raiffeisen Zentralbank Österreich Aktiengesellschaft

RZB – Austria

(until October 2nd, 1989: Genossenschaftliche Zentralbank Aktiengesellschaft)

U.S. $100,000,000

Perpetual Floating Rate Subordinated Notes

For the six months 16th November, 1990 to 16th May, 1991 the Notes will carry an interest rate of 8¼% per annum with a coupon amount of U.S. $207.40 per U.S. $5,000 Note, and U.S. $2,073.96 per U.S. $50,000 Note, payable on 16th May, 1991.

Bankers Trust Company, London Agent Bank

SWITZERLAND FINANCIAL & INVESTMENT CENTRE

The FT proposes to publish this survey on December 12 1990.

It will be of particular interest to the 90% of all Professional Investors in Europe who are FT readers.

If you want to reach this important audience, call Patricia Surridge on 071 873 3426 or fax on 071 873 3079, or Financial Times (Switzerland) Ltd, 15 Rue du Cendrier, CH-1201 Geneva, Switzerland Tel: (022) 7311604

FT SURVEYS

£200,000,000

MFC Finance No.1 PLC

Mortgage Backed Floating Rate Notes Due October 2023

In accordance with the Terms and Conditions of the Notes, notice is hereby given that the new interest rates and periods in respect of the subject Notes are as follows:–

	Payment Date	Rate %		Payment Date	Rate %
Series A	1 November to 5 December 90	14.325	Series D	8 November to 12 December 90	14.355
Series B	2 November to 4 December 90	14.225	Series E	9 November to 13 December 90	14.485
Series C	7 November to 7 December 90	14.405	Series F	14 November to 14 December 90	14.825

By: Citibank, N.A. (CSSI Dept.)
19 November, 1990

CITIBANK

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COMPANIES AND FINANCE

EC stock exchanges to extend co-operation

By Richard Waters

THE EC's 12 national stock exchanges have agreed on further co-operation to develop services to support cross-border share trading in Europe. But they remained as far from agreement as ever on whether and how a new pan-European market should be created.

After the two-day meeting in Dublin last week, the chairmen of the Federation of Stock Exchanges in the EC said jointly they had overcome some of their differences.

The work of the grouping of exchanges was rationalised, removing much of the apparent conflict between separate schemes, each of which could potentially have developed into a different European share trading system.

One, Eurolist, will now focus on ways of reducing the diversity in accounting and listing rules which makes it costly for companies to list on foreign stock markets.

A second scheme, Euroquote, has now become recognised as the system which would carry prices for companies quoted on the Eurolist.

Japanese trading houses mixed

By Robert Thomson in Tokyo

JAPAN'S larger trading houses have reported mixed results in the first half to the end of September. Higher interest charges and exchange-rate volatility affected profit growth, while domestic earnings were buoyed by the strength of the Japanese economy.

The six leading companies also announced they had a total of Y370bn ($2.85bn) in outstanding payments from Iraq and Kuwait. Mitsubishi, the largest general trader, reported claims with Iraq of Y99bn. Marubeni has the largest exposure in Kuwait, with Y81bn.

Japanese government trade insurance policies are expected to cover between 70 per cent and 95 per cent of the claims, prompting the companies to predict that the payment problems will not cause serious damage, although loan-loss reserves have been increased.

Mitsubishi reported a 14.9 per cent increase in pre-tax profit to Y46.6bn, on sales of Y8,709bn, up 12.6 per cent, as a surge in exports of power-generation and chemical plant lifted sales in the machinery and information business division by 31.8 per cent.

Metals trading rose 9.8 per cent and fuel sales increased 1.8 per cent, while the company reported Y6.2bn in extraordinary profit, some from sales of shares held in Kentucky Fried Chicken Japan, which was listed on the Tokyo exchange in August.

For the year to the end of March, Mitsubishi has revised expected sales down from Y18,500bn to Y18,000bn, and pre-tax profit from Y100bn to Y90bn.

Mitsui reported an 11.5 per cent fall in pre-tax profit to Y28.49bn on sales, excluding gold trading, of Y8,955bn, a 15.4 per cent increase. Sales in non-ferrous metals rose 48.1 per cent; machinery sales rose 18.4 per cent; and steel product sales rose 7.1 per cent.

For the full year, Mitsui expects a pre-tax profit of Y65bn, the same as 1989, on sales of Y18,000bn, down 10 per cent. It reported an extraordinary loss of Y4.6bn to bolster loan-loss reserves because of possible payment problems arising from the Gulf crisis.

C. Itoh blamed a 12.4 per cent fall in pre-tax profit to Y23.7bn on higher interest payments. Sales rose 17.7 per cent to Y10,420bn, mainly due to a sharp rise in metals markets transactions and energy-related trading.

Foreign transactions jumped by 114.2 per cent to Y3,772bn, with precious metals dealing up almost 500 per cent, and metal transactions up 108.3 per cent. For the full year, pre-tax profit is expected to be Y50bn, down 8 per cent, and sales are estimated at Y20,000bn, slightly down on last year.

Sumitomo reported an 18.4 per cent increase in sales to Y9,389bn, and a 9.7 per cent increase in pre-tax profit to Y34.18bn. Metals trading rose 31.8 per cent, with strong demand from the shipbuilding and construction industries, while machinery sales rose 11.2 per cent. Chemicals and fuels were up 16.1 per cent and foodstuffs by 9.2 per cent.

The company reported as a non-operating expense a valuation loss of Y7.67bn in marketable securities, which was blamed on the sharp decline of the Tokyo stock market.

Marubeni Corporation reported a 3.9 per cent increase in pre-tax profit to Y24.1bn on a 13.5 per cent increase in total sales to Y9,047bn, with metals and minerals up 21.5 per cent and energy and chemicals up 24.1 per cent.

Foreign trade increased 32.6 per cent, although exports fell 12 per cent because of sluggish sales in the machinery and construction division. For the year, Marubeni expects sales of Y18,800bn, up 3 per cent, and a pre-tax profit of Y51bn, a 0.3 per cent increase.

Nissho Iwai, the sixth largest general trader, reported a 3.6 per cent rise in sales to Y6,572bn, and a pre-tax profit of Y10.86bn, down from Y11.27bn.

Nedcor hit by higher bad debt provisions

By Philip Gawith in Johannesburg

NEDCOR, one of South Africa's three main banking groups, suffered the effects of a difficult second half-year, higher expenses, and bad debt provisions to record income growth below the rate of inflation for the year to September.

Net income rose by 12 per cent to R287m ($113.6m) from R257m, compared with an 18.8 per cent rise in earnings in the six months to March. Although operating income was 35 per cent up at R664m, pre-tax profits were hit by an 84 per cent increase in the provision for bad debts.

Profits also suffered from a large counter-party failure on a forward exchange contract incurred by merchant banking arm UAL.

The bulk of the pre-tax profits, R207m, came from Ned-Perm bank, with the balance spread between UAL Merchant Bank, Finansbank, Nedfin bank, and the Syfrets group.

Pleasing for the group was a rise of 28 per cent to R1.14bn in net interest income earned, compared with an 18 per cent increase in total assets, including repurchase agreements.

Mr Chris Liebenberg, chief executive, said that the ratio of capital to assets (including repurchase agreements) was a healthy 5.2 per cent.

Ricoh edges up midway but warns on year

By Ian Rodger in Tokyo

PRE-TAX profits of Ricoh, the Japanese office equipment group, rose 2 per cent to Y16.9bn ($130m) in the six months to September 30, on sales up 6.8 per cent at Y344.1bn. However, the directors are forecasting a 10 per cent profit fall in the full year.

Sales of copying machines, which account for nearly half of total sales, were up 11.7 per cent to Y169.3bn, while sales of telecommunication equipment were flat at Y91.2bn.

The directors anticipate the domestic market, where the company made two thirds of its sales in the first half, will deteriorate in the second half due to higher interest rates and crude oil prices. They have revised downwards their forecast of pre-tax profit for the full year from Y34bn to Y30bn.

Hot summer buoys confectioners

By Emiko Terazono in Tokyo

THREE Japanese confectionery groups reported modest sales increases in the six months to September due to the hot summer.

JAPANESE CONFECTIONERY GROUPS
Results for first half to September 1990

Company	Sales Ybn	Sales % change	Pre-tax profits Ybn	Pre-tax profits % change
Ezaki Glico	74.4	4.8	6.6	8.0
Meiji Seika	103.8	6.6	3.7	0.6
Morinaga	66.4	3.4	0.4	(0.6)

Figures in brackets show falls

Ezaki Glico saw a 3.3 per cent rise in sales of confectionery buoyed by new products, despite a slight drop in chocolate sales. The hot summer helped sales of chilled desserts rise 6.4 per cent. In the full year, the company expects sales to rise 4.6 per cent to Y136bn, and pre-tax profits to increase by 5.4 per cent to Y9.6bn despite an expected rise in the cost of materials.

Meiji Seika, ranking top in the industry, reported a 7.6 per cent increase in confectionery sales, while food sales increased 13.1 per cent thanks to soft drink sales in the summer. Pharmaceutical sales, accounting for half of total sales, increased 4.3 per cent. The company forecasts a 7.2 per cent rise in sales to Y222bn in the full year, although its pre-tax profits estimate has been revised down 11 per cent to Y7bn, due to an increase in interest payments.

Morinaga also claimed an increase in sales of chilled desserts and beverages, owing to the summer weather, although pre-tax profits dropped by 0.6 per cent because of delays in implementing price increases. The company sees sales growing 6.1 per cent to Y138bn and pre-tax profit increasing 4 per cent to Y2.6bn for the full year.

Quebecor up strongly in third quarter

By Robert Gibbens in Montreal

QUEBECOR, the publishing group which includes North America's second largest commercial printing operation, has reported a big gain in third-quarter earnings.

The group's results were boosted by the inclusion of Maxwell Graphics' US plants, which were acquired in February. Commercial printing now accounts for more than half of Quebecor's total business.

Earnings jumped to C$9.8m (US$8.42m) or 41 cents a share, up 80 per cent from C$5.4m or 23 cents a year earlier, on revenues of C$611m, against C$437m. Nine months' earnings were C$24m or C$1.02 a share, up 32 per cent, on revenues of C$1.7bn, against C$1.29bn.

Quebecor operates Canada's second largest circulation daily newspaper, plus weeklies and magazines, and controls the Quebec newsprint producer Donohue in a partnership with Maxwell Communications of the UK.

Lufthansa buys Olympic unit

By Kerin Hope in Athens

OLYMPIC Airways, the Greek state airline, has agreed to sell a 66 per cent stake in its loss-making meals subsidiary to LSG, Lufthansa's catering arm.

It is the first deal to be completed under the government's privatisation programme launched six months ago.

The subsidiary, Olympic Catering, provides meals for airlines using Athens airport.

No figure for the sale was revealed, but a senior Greek airline official called it a "satisfactory amount". Olympic Airways will retain the other 34 per cent.

ABB confident after 23% advance

By Our Financial Staff

ASEA Brown Boveri, Europe's leading electrical engineering group, has reported profits up from $610m to $749m after financial items for the first nine months of 1990.

Looking ahead, ABB said it expected profits for the whole of this year to grow in line with the 23 per cent advance over the nine months.

ABB said there had been strong earnings growth in power transmission, power distribution, environmental control and financial services divisions, but that earnings fell in its transportation division.

Combustion Engineering, the US power engineering company bought by ABB a year ago for $1.6bn and consolidated this year, made a negative contribution to earnings after financial items, including acquisition costs. But the restructuring of Combustion Engineering was well under way, ABB said.

It said the impact of the Gulf crisis had so far been limited. "However, a slowdown of the economy is evident in several countries and demand has weakened both for standard products and capital goods. ABB was preparing for this reduced demand."

Orders received in the first nine months rose 34 per cent to $21.3bn, or 7 per cent net of divestitures and exchange rate fluctuations. Turnover for the nine months increased by 34 per cent to $18.8bn.

Aiwa wipes off accumulated loss

PRE-TAX profits of Aiwa, the Japanese audio equipment maker in which Sony has a 52.5 per cent stake, jumped 14.1 per cent to Y1.8bn ($13m) on sales up 23.5 per cent in the six months to September 30, writes Ian Rodger.

The profit was enough for the company to wipe off its accumulated losses and pay taxes for the first time since the year ended November 1985. Net income was down 14 per cent to Y1.4bn.

The company has rationalised in the past four years, shifting production from Japan to Singapore and diversifying into video equipment.

Wasa takes 49.9% Bohusbanken stake

By John Burton in Stockholm

WASA, the Swedish insurance company, has acquired a 49.9 per cent stake in Bohusbanken for SKr250m ($45.2m), becoming the country's fourth insurer to link up with a bank after a government proposal two months ago to abolish ownership barriers between the two sectors.

Investor and Providentia, the two investment companies affiliated with the Wallenberg financial family, and the Axel Johnson group will also make a SKr33m bid for the outstanding shares in Bohusbanken, one of Sweden's smallest commercial banks with assets of SKr2.2bn.

Wasa's move follows two bigger insurance and bank deals. The insurers Trygg-Hansa and SPP took almost half of Gota, the parent group of Sweden's fourth largest commercial bank, and Skandinaviska Enskilda Banken became the largest shareholder in the Skandia insurance group.

Wasa will buy half of the 45 per cent interest now held by Investor and Providentia in Bohusbanken, as well as the 21 per cent stake owned by the consulting firm Indevo and SPP's 5 per cent interest. The purchase price will be SKr598.15 per share, 17 per cent above the current share price.

Investor and Providentia, which together with Axel Johnson have 10 per cent of Bohusbanken, will offer SKr600 for each remaining share.

BASE LENDING RATES

	%		%		%
ABN Bank	14	Coutts & Co	14	NatWestminster	14
Adam & Company	14	Cyprus Popular Bk	14	Northern Bank Ltd	14
Allied Trust Bank	14	Dunbar Bank PLC	14	Nykredit Mortgage Bank	14½
AIB Bank	14	Duncan Lawrie	14	Provincial Bank PLC	15
● Henry Ansbacher	14	Equatorial Bank plc	14	Roxburghe Bank Ltd	14½
Associates Cap Corp	15½	Exeter Trust Ltd	14½	Royal Bk of Scotland	14
● B & C Merchant Bank	14	Financial & Gen. Bank	14	Royal Trust Bank	14
Bank of Baroda	14	First National Bank Plc.	16	● Smith & Williamson Secs.	14
Banco Bilbao Vizcaya	14	● Robert Fleming & Co.	14	Standard Chartered	14
Bank Credit & Comm	14	Robert Fraser & Ptnrs.	14½	TSB	14
Bank of Cyprus	14	Girobank	14	Unibank plc	14
Bank of Ireland	14	● Guinness Mahon	14	● United Bk of Kuwait	14
Bank of India	14	HFC Bank plc	14	United Mizrahi Bank	14
Bank of Scotland	14	● Hambros Bank	14	Unity Trust Bank Plc	14
Banque Belge Ltd	14	Hampshire Trust Plc	14½	Western Trust	14
Barclays Bank	14	Heritable & Gen Inv Bnk	14	Westpac Bank Corp.	14
Benchmark Bank	14	● Hill Samuel	14	Whiteaway Laidlaw	14
Brit Bk of Mid East	14	C. Hoare & Co.	14	Yorkshire Bank	14
● Brown Shipley	14	Hongkong & Shangh.	14		
CL Bank Nederland	14	● Leopold Joseph & Sons	14		
● Charterhouse Bank	14	Lloyds Bank	14		
Citibank NA	14	Meghraj Bank Ltd	14		
City Merchants Bank	14	McDonnell Douglas Bnk	14		
Clydesdale Bank	14	Midland Bank	14		
Comm. Bk. of London Plc	14	Mount Banking	14		
Co-operative Bank	*14	Nat. Bk. of Kuwait	15		

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THE OPORTO GROWTH FUND LIMITED
The Oporto Growth Fund Limited wishes to notify shareholders that the Annual General Meeting will take place at 2:00 pm on 10 December 1990 at Chase House, Grenville Street, St Helier, Jersey. The audited Annual Report for the Fund covering the period 1 July 1989 to 31 June 1990 will be available on request from 15 December 1990. Persons interested in receiving copies should contact:
Shearson Lehman Investment Management (Jersey) Limited
Chase House,
Grenville Street,
St Helier, Jersey C.I.
or
National Westminster Bank
Registrar's Department
P.O. Box 82
Caxton House
Redcliffe Way
Bristol BS99 7NH

This announcement appears as a matter of record only.
James Capel
is pleased to announce that it starts trading
as a Regular Member of the
Tokyo Stock Exchange
on
19 November, 1990
For more information contact:
Roger Atkins
Chairman & Managing Director
James Capel Pacific Limited
Kokusai Building, 7F, 1-1, Marunouchi 3-Chome, Chiyoda-ku,
Tokyo 100, Japan.
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INTERNATIONAL BusinessWeek
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IG INDEX
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FTSE 100
Nov. 2070/2080 +6
Dec. 2090/2100 +8
WALL STREET
Nov. 2535/2545 -3
Dec. 2545/2557 -1
5pm Prices. Change from previous 9pm close
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£150,000,000
HMC MORTGAGE NOTES 4 PLC
Class A
Mortgage Backed Floating Rate Notes due August 2021
For the Interest Period from November 15, 1990 to February 15, 1991 the Note Rate has been determined at 14.055% per annum. The interest payable on the relevant interest payment date, February 15, 1991 will be £3,542.63 per £100,000 nominal amount.
By: The Chase Manhattan Bank, N.A. London, Agent Bank
November 19, 1990

£9,000,000
HMC MORTGAGE NOTES 4 PLC
Class B
Mortgage Backed Floating Rate Notes due August 2021
For the Interest Period from November 15, 1990 to February 15, 1991 the Note Rate has been determined at 14.775% per annum. The interest payable on the relevant interest payment date, February 15, 1991 will be £3,724.11 per £100,000 nominal amount.
By: The Chase Manhattan Bank, N.A. London, Agent Bank
November 19, 1990

Citicorp Banking Corporation
U.S.$250,000,000
Guaranteed Floating Rate Subordinated Capital Notes
Due July 10, 1997
Unconditionally Guaranteed on a Subordinated Basis by
CITICORP
Notice is hereby given that the Rate of Interest has been fixed at 8% and that the interest payable on the relevant Interest Payment Date, December 19, 1990 against Coupon No. 24 in respect of US$10,000 nominal of the Notes will be US$66.67.
November 19, 1990 London
By: Citibank, N.A. (CSSI Dept.), Agent Bank CITIBANK

INTERNATIONAL CAPITAL MARKETS

UK GILTS

Economic data push politics aside

IN THE gilt market last week the swirl of political uncertainty took a back seat to hard economic realities.

While the market was unsettled by the challenge to Mrs Thatcher's leadership, eyes were more strongly focused on the welter of economic evidence related to the UK recession.

The severity of the economic decline makes it almost certain, according to the gilt market, that the 14 per cent base rate will come down soon, boosting gilt prices. That is likely to happen regardless of how the Conservative Party's leadership contest turns out.

This sanguine view about interest rates explains why, over the past week, the gilt market has been strong. "Given the political background, gilts have done stunningly well," said Mr John Shepperd, an economist at Warburg Securities.

"The leadership question is going to be resolved," said Mr Simon Briscoe, an analyst at Greenwell Montagu. "The market is correct to give more credence to the recessionary data rather than the political uncertainty."

Over the week, accordingly, prices for most bonds along the yield curve rose, with yields decreasing. The benchmark Treasury 9 per cent bond maturing in 2008 closed on Friday night at 85, up half a point on the previous week. Its yield declined by 0.07 per cent to 10.93 per cent.

Indications about the extent of the slowdown are likely to be sharpened today when the government releases data on total UK output in the third quarter of the year. This will probably show a sharp decline compared with the second quarter, and may foreshadow a further fall in the final three months of the year.

The convictions of the gilt market about the severity of the slowdown gathered pace during last week as a result of a number of key indicators:

● Retail sales volumes fell by a provisional 1.1 per cent in October, a much steeper fall than the City had expected.

● In the third quarter of 1990 manufacturing output declined by 1.8 per cent compared with the previous three months. This was the biggest three-monthly fall since the recession of 1981.

● Unemployment in October rose by 32,300, the sharpest monthly rise for more than four years. That led to independent financial analysts revising their expectations about the length and severity of the slowdown, which many now expect to last well into next year.

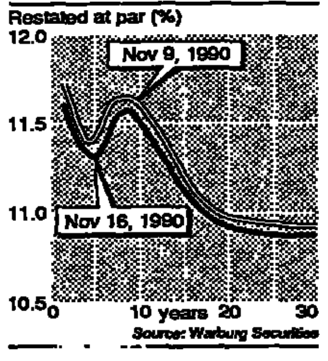
● On Friday the government announced that retail-price inflation appears to have peaked at an annual rate in October of 10.9 per cent, the same level as that recorded for September. The rate for November, to be announced just before Christmas, is almost certain to fall to about 10 per cent. The figures indicate that the government is close to success in beating out inflationary pressures from the economy.

In the eyes of the gilt market, all that is needed now is a short, sharp outcome to the leadership question. That, according to gilt traders, would boost sterling from its currently lack-lustre position in the foreign exchange markets, giving the monetary authorities the headroom to cut the base rate some time before January.

Peter Marsh

UK gilts yields

Restated at par (%)



Source: Warburg Securities

SPANISH BONDS

Investors start looking to the longer term

BY THE time the Spanish Treasury manages to turn around the country's chronic dependence on short-term paper, the need to do so may no longer really exist.

Spain finances more than 70 per cent of its public debt through 12 to 18 month Letras del Tesoro (treasury bills), but the good news is that its budget deficit, a little optimistically perhaps, is forecast to fall to 0.5 per cent of gross national product next year.

Long-termism, like saving, is not a Spanish virtue. The debt markets have until now been driven by liquidity-addicted banks, foreigners who have been chasing spectacular Letra yields and an equally astonishing laxity in applying the relevant taxes. But something, brokers say, is changing.

Longer-term instruments are winning new friends. Bank liquidity reserve requirements have softened, thus easing pressure on their own postions. The keys, however, have been the peseta's entry into the EMS exchange rate mechanism last year – risk has become calculable – and the lifting of controls this year on foreigners making repurchase agreements, which allows them to avoid paying withholding tax on coupon payments.

"Foreigners are very active now in three- and five-year bonds, but they are looking at the peseta and inflation and if the government does something wrong then they get out quickly," says one Madrid dealer.

The government has been largely doing the things it said it wanted to do. In the summer of 1989, the Bank of Spain imposed tough credit ceilings on the banks to cool the economy. Now, finally, job creation is falling. Growth of the industrial production index fell by half in the first six months of the year, to 2 per cent. Credit growth has fallen from about 20 per cent last year to 11 per cent – still out of target, though – and car sales have collapsed.

The Bank of Spain and the finance ministry have both hinted at lifting the credit restrictions by the end of this year, following which it would be possible to begin to dismantle the country's last remaining capital controls and then to begin cutting interest rates.

Most foreign investors who have bought Spanish paper in the past two years stand to make money on the peseta's new strength alone. But, with the promise of an interest rate cut, the markets – although still trading in small volumes – are becoming increasingly jittery.

Yields on the state's two benchmark bonds, – three-year paper, this is Spain – the 12.50 issued in 1989 and the 13.75 of 1990, have both risen sharply since the end of March: from 14.75 to 15 per cent and from 14.46 to 14.73 per cent respectively. Volumes are small.

Waiting for the cut, however, could be tiresome. All Madrid really wants to do is bring its real interest rates into line with those of its biggest trading partners, France and Germany. However these are only 1.5 and 2.9 per cent respectively.

The Bundesbank has already shown it is prepared to raise German rates if reunification becomes too expensive. This may close the gap without Madrid having to lift a finger. That would suit it just fine.

Peter Bruce

NRI TOKYO BOND INDEX

December 1983 = 100	15/11/90	Average yield† (%)	Last week	12 wks ago	26 wks ago
	PERFORMANCE INDEX				
Overall	146.46	7.72	146.23	142.11	145.20
Government Bonds	143.38	7.63	143.03	138.20	143.16
Municipal Bonds	148.97	7.63	148.94	143.96	147.35
Govt.-guaranteed Bonds	151.62	7.72	151.54	147.42	149.31
Bank Debentures	144.63	7.77	144.49	141.20	142.39
Corporate Bonds	149.36	7.94	149.15	146.28	147.16
Yen-denom. Foreign Bonds	151.44	8.70	151.18	152.00	152.86
Government 10-year†	7.24		7.31	7.71	6.57

† Estimated par yield

Source: Nomura Research Institute

US MONEY AND CREDIT

Optimism rises as interest rates fall

PERHAPS it is the Thanksgiving preparations. Or maybe the sight of Christmas lights in the shopping malls and stores. Whatever the cause, a rare glow of festive cheer warmed the bond markets last week.

There was, of course, the widely-anticipated easing in interest rates to help this new-found optimism on its way. But the change in mood is more deep-rooted than that. Although the Middle East situation remains a potential problem, there is a growing sense that the inflationary peak has been passed and that recessionary forces now have the US economy in a steely grip. Give or take the odd hiccup, reason the markets, there is only one way for yields to go, and that is downwards.

As if to emphasise the point, the yield on the benchmark 30-year long bond slid to 8.45 per cent at the end of the week, the first time it has dropped below 8.5 per cent since Saddam Hussein marched into Kuwait.

The interest rate cut itself was not achieved without some nervous moments. Returning from the Veterans' Day holiday on Monday, when Treasury markets closed, bond prices moved upwards fairly strongly in Tuesday's trading as all eyes focused on the Federal Reserve Board's policy-making Open Committee meeting in Washington.

However, the authorities left the markets guessing for another two days over their intentions. Although the Fed was seen to be adding reserves to the banking system on Wednesday and Thursday, it did so when the Federal funds rate – the rate at which banks lend money to each other overnight – was trading at 8¼ per cent and then 7¾, well above the assumed target. In short, the authorities' moves were anything but unambiguous.

A clear signal came only on Friday, when the Fed injected a further \$3bn to \$4bn into the system, pushing the rate for Fed funds down from around 7¾ to 7½ – the level at which the authorities were thought to be aiming. This time, the bond market had no doubts about the message. Prices at the long end, which had dipped slightly on Thursday, rallied significantly, although short-dated issues, which had already discounted the move, took the development more calmly.

Certainly, there was an ample flow of economic data to support the Fed's action. Earlier in the week, there was news that industrial output had fallen by 0.8 per cent in October, the first decline in six months.

Moreover, on Friday, the inflation statistics showed a 0.6 per cent rise in October compared with a 0.8 per cent rise in August and in September. Better still, the "core" inflation rate – which ignores energy costs and food prices – increased by just 0.3 per cent.

Overall, this data, together with further figures for earnings and the September trade deficit, combined to give the impression that inflationary steam was evaporating from the economy. That said, one problem does remain: the current weakness of the dollar. This, in itself, is a potentially inflationary force, and the concern is that the general easing of US rates is likely to drive the currency lower still.

That notion appears to have crossed the collective mind of the Open Market Committee during its October 2 meeting, and provoked a few worries. Indeed, minutes of the meeting, released on Friday, showed that a surprisingly large minority – four members out of the 11 – opposed any cut in interest rates at all.

Clearly, they were amply outweighed by those who favoured a measured easing. Nevertheless, such a significant split, coupled with the highly cautious manner in which the Fed behaved last week, seems to carry a message. Caution, one might conclude, is the order of the day. And, while the markets may well be right in assuming that the inflationary "worst" is past, the authorities may yet be looking for proof.

Still, if there was one place in the markets where uncertainty was dispelled last week, it was in Donald Trump's high-yielding Taj Mahal bonds. The New York property and casino owner defaulted on a \$47.3m interest payment on Thursday but, 24 hours later, carved out a restructuring agreement with the bondholders. The bonds gained \$5¼ to \$39¼ on the news.

"This is a victory for everyone," said Mr Trump, rather overlooking the fact that he was being forced to give up 50 per cent of the Taj's equity as part of the deal.

Nikki Tait

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds	7.56	7.56	7.88	9.92	7.78
Three-month Treasury bills	7.30	7.26	7.47	9.11	7.20
Six-month Treasury bills	7.37	7.37	7.53	9.37	7.18
Three-month prime CDs	7.96	8.08	8.13	10.35	7.65
30-day Commercial Paper	7.82	7.85	8.10	9.95	7.80
90-day Commercial Paper	7.82	7.88	8.06	10.05	7.70

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	102[illegible]	+[illegible]	8.17	8.32	8.47
20-year Treasury	107[illegible]	+1[illegible]	8.48	8.65	8.76
30-year Treasury	103[illegible]	+1¼	8.45	8.62	8.74

Money supply: In the week ended November 5, M1 rose by \$2.4bn to \$822.6bn.

FT/AIBD INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHT	Issued	Bid	Offer	Chg on week	Yield
ABBEY NATIONAL 8 7/8 93	150	100¾		+⅛	8.65
ASN 9 1/8 94	200	100½		+⅛	8.94
AETNA LIFE & CAS 7 3/4 16	200	97		+⅛	8.02
ALBERTA PROVINCE 8 5/8 96	750	98½		+⅛	8.96
ALBERTA PROVINCE 9 3/8 95	600	102¼		+⅛	8.79
AMERICAN EXPRESS 0 00	450	38¼		+1	10.05
AMERICAN GENERAL 9 3/4 96	100	96¼		+1¼	10.83
ANHEUSER-BUSCH 9 1/8 92	100	100⅝		+⅛	8.70
ASIAN DEV BANK 0 04	1000	28⅛		+⅛	9.57
AUSTRALIA 11 95	200	107⅞		+⅛	8.99
AUSTRALIAN WHEAT 9 1/2 93	200	102		+⅛	8.72
AUSTRIA 7 3/4 97	200	94⅞		+⅛	8.89
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SASKATCHEWAN 15 92	150	109⅞		+⅛	8.60
SBAB 9 1/2 95	500	102¼		+⅛	8.85
SEAGRAM CO 8 1/2 96	100	95		+½	9.71
SEARS O/S FIN 0 98	500	45⅛		+⅛	10.83
SEARS O/S FIN 11 5/8 93	150	104			9.96
SKANDIA INTL 7 1/4 92	200	98		-⅛	8.89
SNCF 7 1/4 94	175	96¼		+⅛	8.43
SNCF 9 1/2 98	150	102¼		+1	9.02
STATE BK STH AUST 9 1/4 93	100	101		+⅛	8.70
STATE EL VICTORIA 10 92	100	102½		+⅛	8.60
STATOIL 7 5/8 94	200	95⅝		+⅛	9.22
STH AUST GOVT FIN 8 3/4 93	100	100		+⅛	8.71
SUMITOMO BK CAP MKT 9 3/8 93	150	101¼		+⅛	8.80
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg on week	Yield
ASIAN DEV BANK 6 10	100	81½		+⅛	7.86
AUSTRIA 4 5/8 98	100	86¼		-⅛	7.12
CHUJITSUYA 7 3/4 95	50	100¾		-⅛	7.55
COUNCIL EUROPE 4 3/4 98	250	85½		+1⅛	7.40
EEC 5 1/2 00	100	85½		+⅛	7.62
EIB 5 3/4 93	100	97		-⅛	6.91
FINLAND 5 3/8 95	150	93		-⅛	7.10
GENERAL MOTORS 7 1/2 95	100	100		-1	7.49
JAPAN DEV BK 5 1/2 94	100	94⅛			7.46
MOUNT ISA FINANCE 5 3/4 94	100	83		+3	11.98
NEW ZEALAND 4 7/8 99	200	83		+⅛	7.74
QUEBEC HYDRO 5 08	100	75			7.64
SKANDINAVISKA ENSK 6 1/2 95	100	96			7.65
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STRAIGHT BONDS: Yield to redemption of the bid-price. Amount issued is expressed in millions of currency units. FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon. CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price. WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price.

Closing prices on November 16

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INTERNATIONAL CAPITAL MARKETS

SYNDICATED LOANS

Electricity industry seeks more funding

INTERNATIONAL banks are once again being asked to dip into their pockets for the UK electricity industry as the latest of three power station projects seeks bank funding.

A project finance loan for the construction of a 350MW power station in Peterborough was released to the market for general syndication last week.

NatWest is arranging the deal, which calls for close to £250m in funds to build a gas turbine station to provide power for the Eastern regional electricity company. The 17-year loan is divided into a number of different facilities. The borrower will pay an interest margin of 85 basis points over the London Interbank Offered Rate for the preconstruction phase, with the rate then declining for the rest of the loan's life.

The terms of the loan offer funding at a cheaper rate than has been secured for the larger Teesside project, whose mandate has been won by Manufacturers Hanover. Although no terms of that loan have been revealed, the interest rate is believed to be well over 1 per cent on top of Libor.

In addition, NatWest has underwritten the full amount of the Peterborough loan, *which suggests that the bank* wants to get it out into general syndication before prices rise in current uncertain market conditions and it is left with the full risk.

Manufacturers was awarded the mandate for the Teesside deal this month, but has yet to show it to the market in general syndication. It is not likely to be released for another couple of weeks. While some banks are impatient to see the deal, arrangers stress the weight of due diligence work that must be done on a loan of this nature. Manufacturers has an underwriting group in place but, given the high risks involved in a project finance loan, is keen to ensure it has a watertight structure before drawing others in.

The other project finance deal expected in the market is the £230m loan for a power station at Corby. NatWest has arranged an underwriting group for the deal, which includes itself, Deutsche Bank, and Bank of Tokyo. The loan will be released into general syndication later in the year.

While these project finance loans can be risky credits, banks are still likely to buy them since many like to hold the assets and take the high interest rates paid.

The other electricity credits still in the market – loans for the UK generators, National Power and PowerGen, – are scheduled to close syndication in the middle of this week and be signed in early December.

● Another oil company approached the loans market last week when Total Oil *Marine, a unit of the French* petrochemicals company, asked Royal Bank of Canada, NatWest, Paribas and Union Bank of Switzerland to arrange a £450m loan. The necessity of repricing a similar deal for Elf several weeks ago has meant Total pays a higher cost for its funds.

The loan is structured in two parts, with Total paying 42.5 basis points over Libor for the first three years of a 10-year £300m revolving credit which rises to 60 basis points for the last two years. In addition, it will pay 37.5 basis points for the first four years of an eight-year £150m term loan. Commitment fees range from 20 to 12.5 basis points.

● Scottish Metropolitan Property, Scotland's leading property investment and development company, announces today that it has secured a loan for £72.5m from a group of banks led by Kleinwort Benson.

Deborah Hargreaves

EUROMARKET TURNOVER ($m)

Primary Market	Straights	Conv	FRN	Other
US$	620.3	0.0	60.0	16,899.0
Prev	1,015.4	0.0	0.0	12,036.9
Other	1,805.7	0.0	113.2	8,235.0
Prev	461.2	5.5	728.1	4,901.9
Secondary Market				
US$	16,048.7	422.3	5,557.3	7,591.8
Prev	17,974.1	675.6	7,044.2	8,765.2
Other	20,623.5	1,815.9	4,672.8	41,356.7
Prev	16,869.6	961.4	6,149.1	30,625.2

	Cedel	Euroclear	Total
US$	15,690.5	31,708.9	47,399.4
Prev	18,066.2	29,445.2	47,511.4
Other	30,877.0	46,945.8	77,822.8
Prev	25,063.6	35,638.4	60,702.0

Week to November 15, 1990 — Source: AIBD

INTERNATIONAL BONDS

Controversial non-sterling buy-backs yet to catch on

LAST WEEK, two borrowers took the still rather unusual step of buying back some of their outstanding debt in European currency units and in dollars.

Because of tax benefits for UK companies which buy back debt trading at a discount, buy-back programmes have become a common, if controversial, practice in the sterling bond market, but the concept has yet to catch on in other sectors of the Eurobond market.

"Buy-back and exchange techniques remain to be proven in the non-sterling markets," says one banker. "In practice, the benefits of the consolidation of debt achieved through an exchange programme can be felt by relatively few borrowers."

On Friday, Electricité de France, the French government-guaranteed electricity utility, launched an exchange offer, under which it could redeem more than Ecu1bn of debt, maturing between 1991 and 1999. Investors can exchange the old bonds for a new issue of 10½ per cent bonds due 2001. EDF simultaneously launched an initial Ecu150m tranche of the new issue, arranged by Paribas.

By creating a very large benchmark issue, EDF will be able to issue further tranches more cheaply, as investors are willing to pay a premium for such liquidity. Since some of the old bonds mature soon, it also stands to extend its debt.

The same principal was used when Finland offered to buy back outstanding Eurodollar bonds in exchange for a new issue maturing in May 1996. The best response was from holders of bonds of a similar maturity, according to arranger J. P. Morgan. For some issues, the take up was 75 to 80 per cent, for others as little as 20 per cent.

However, Finland's "replacement" issue, which totals $550m, has performed strongly, and appears to have improved the market's perception of Finland's debt. A £400m deal for British Telecom, also the product of an exchange programme, has also traded well.

The long-dated sterling market has produced the most successful results, because there is a readily identifiable investor base of UK institutions. Many borrowers have repurchased 95 per cent of an issue during a buy-back programme.

However, investors have become increasingly disgruntled. Recently, two major institutional holders of Scottish & Newcastle's long-debted bonds held out, limiting the buy-back rate to 70 per cent of the issue.

The discontent among institutional investors hangs on the difficulty of replacing assets, while no fresh long-dated sterling debt is being issued.

Objections tend to wane when assets are easy to replace, as borrowers are often prepared to pay as much as 30 basis points above the secondary market price.

In September, Samuel Montagu held a seminar for sterling market borrowers, where several fund managers spoke. "They were in favour of buy-backs of shorter-dated bonds, because many issues become illiquid quite quickly," says Mr Richard Richmond, of Samuel Montagu.

The process of Australia's debt reduction – foreign debt has shrunk by more than A$8bn in the past three years – has been peppered liberally with repurchase programmes. Last week, Australia launched its fifth repurchase programme of this calendar year, offering to buy back over $400m of outstanding Eurodollar debt.

Australia is a special case. It has been running a large budget surplus since 1987, and an A$8.1bn surplus is forecast this year. According to the Treasury, A$8bn of foreign and domestic debt is expected to be repaid by June 1991.

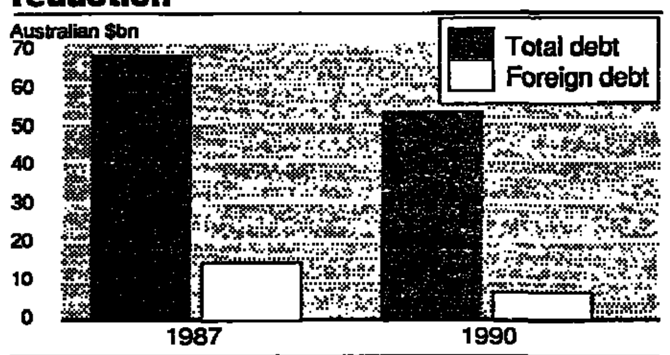
When some bonds remain outstanding after a buy-back programme, the Australian Treasury constructs an "immunisation portfolio" by buying matching assets which will fund the interest flows and redemption of remaining debt.

The rewards for Australia are clear. The Commonwealth's budget included interest costs in 1989 of A$7.3bn. In fiscal year 1990-1991, the figure has fallen to A$6bn.

But few sovereign borrowers are likely to find themselves in this enviable position. The UK, the only other borrower to use its surplus to buy back significant portions of its debt in the gilts market, is expected to return to the market soon.

Tracy Corrigan

Commonwealth of Australia debt reduction



NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Council of Europe♦	200	1991	1	zero	93.895	Fuji Int.	6.502
Shin Etsu Fin.BV♦	20	1995	4.833	9	101⅞	Mitsubishi Finance	8.498
1410-1441 Brdway.Fin.(n)†♦	174.3	1999	8¾	(n)	99¾	Kidder Peabody Int.	-
Kobe Steel★★♦	10	1994	4	8 9/16	101⅝	DKB Int.	8.071
Yasuda Trust & Banking(p)♦	50	2000	10	(p)	102	Yasuda Trust Europe	-
AUSTRALIAN DOLLARS							
Sth.Aust.Govt.Fin.Auth.♦	500	2015	25	zero	5.825	Hambros	12.044
STERLING							
EIB♦	150	1993	3	12	100.075	BZW	11.969
Asfinag♦	100	1996	5¼	12	102.175	S.G. Warburg Secs.	11.395
CANADIAN DOLLARS							
Fed.Business Devt.Bk♦	35	1992	2	11¾	101.85	BIL	10.674
FRENCH FRANCS							
Kingdom of Spain♦	3bn	1998	8	10½	99.27	CCF	10.640
Caisse Nat.d'Telecom.(l)†♦	2bn	1997	7	(l)	100.05	CCF	-
SWISS FRANCS							
Japan Finance Corp♦	150	2000	-	7⅛	101⅞	UBS	7.107
General Motors Corp♦	150	1995	-	7¾	101	Credit Suisse	7.503
Takarabune Co.(a)★★§♦	35	1995	-	6	100	Nomura Bk (Switz)	5.993
Foster Electric(c)★★§♦	25	1995	-	6	100	UBS	5.989
Toyo Radiator Co.(b)★★◊♦	50	1997	-	5¼	100	Swiss Volksbank	5.250
Republic of Finland★★♦	75	1995	-	7½	101⅛	Nordfinanz Zurich	7.163
Ishijuro Homa Corp(f)★★§	20	1995	-	6	100	SBC	5.993
Aigan(e)★★§♦	50	1995	-	6	100	Nomura Bk (Switz)	6.087
Sinko Kogyo Co.(j)★★◊	60	1995	-	5¼	100	HandelsBank Natwest	5.250
Katokichi Co.(k)★★§♦	140	1994	-	6	100	UBS	6.000
Century Leas'g System★★♦	20	1997	-	7	99¾	Dai-Ichi Kangyo Bk	8.173
ECUs							
O'terreichische.Kontrollbk.♦	150	1992	2	10½	101.70	CSFB	9.527
Deutsche Bank Fin.NV♦	200	1995	5	10¼	101⅞	Deutsche Bk Cap.Mkts.	9.758
Electricite de France♦	150	2001	10½	10½	99.61	Banque Paribas Cap.	10.542
ESCUDOS							
Int.Finance Corp♦	10bn	1995	5	15¾	100⅝	Deutsche Bank	15.561
DANISH KRONER							
Fin.for Danish Ind.(g)♦	150	1993	3	10¾	101.45	Kredietbank NV	10.165
GUILDERS							
Ned'landse Gasunie(h)♦	125	1995	5	9	101⅛	SBC Inv.Bk	8.713
LIRE							
EIB♦	300bn	1997	7	12	99.55	Banco di Roma	12.099
PESETAS							
Nordic Inv.Bank(m)♦	10bn	1995	5	13.80	101.45	Banco Bilbao Vizcaya	13.384
SWEDISH KRONOR							
SBAB♦	200	1997	7	13.6	101⅞	IBJ Int.	13.174
Banque Indosuez★★♦	200	1997	7	13.6	100	Daiwa (Europe)	13.600
Spintab♦	400	1997	7	13.7	101½	Bank of Tokyo Cap.Mkts	13.357
YEN							
Oki Electric Ind.Co.♦	20bn	1998	8¼	7⅛	101.70	Yamaichi Int.	7.458
Ford Holdings Inc.♦	15bn	1997	7	8	101.67	Merrill Lynch Int.	7.682
Konica Corp♦	5bn	1997	7	7.8	101⅝	Nomura Int.	7.493
Royal Bk of Canada(d)♦	4bn	1991	1	12½	101⅛	New Japan Secs.	11.248
Republic of Finland(i)♦	10bn	2000	10	7¾	96	Nomura Secs.	-
LUXEMBOURG FRANCS							
CCF Paris★★♦	500	1996	5.167	9⅞	101⅝	BGL	9.447
IPPA Fin.Co.BV♦	750	1997	7	9⅞	101⅝	BIL	9.546
Volvo★★♦	1bn	1995	5	10	101.90	BIL	9.531
Credito Romagnolo★★♦	300	1994	3.167	10	101.90	BNP (Lux.) SA	9.257
Credit Local★★♦	500	1996	6	9⅞	102	KBL	9.424
Cera Bank (Lux.) SA(o)★★♦	500	1994	3.167	10	101.90	BCEE	9.257

★★Private placement. §Convertible. ◊With equity warrants. †Floating rate note. ♦Variable rate note. ♦Final terms. a) Put option 23/2/93 at 107¼% to yield 9.192%. Conversion premium fixed at 2.5%. b) Early redemption 3/6/94 at 101¼%, decreasing ¼% semi-annually. Conversion premium fixed at 2.5%. c) Put option 30/4/93 at 108¼% to yield 9.145%. Conversion premium fixed at 2.6%. d) Nikkei-linked issue. e) Put option 30/9/93 at 110⅜% to yield 9.179%. Conversion premium fixed at 2.51%. f) Put option 20/2/93 at 107¼% to yield 9.036%. g) Fungible with existing DKr300mn deal launched in October. Non-callable. h) Fungible with existing Fl125mn deal launched in October. Put option from 19.11.91 at 99.6%, increasing 10bp annually thereafter. i) Samurai dual currency issue. Coupon payable in Australian dollars. j) Callable 11/6/93 at 101¼%, decreasing ¼% semi-annually. k) Put option 31/5/93 at 108¼% to yield 9.001%. Conversion premium fixed at 2.5%. l) Callable at par from 1993 and on every coupon date thereafter. Coupon pays 3-month Pibor. m) Matador issue. Non-callable. n) Mortgage-backed FRN issue. Coupon pays 6-month Libor – 40bp. Non-callable. o) Fungible with existing LuxFr500mn deal launched November 1990. Non-callable. p) Coupon pays 6-month Libor – 40bp from years 1-3, then at option of issuer, it will either remain the same or change to a fixed rate of 9.9% payable annually. Note: Yields calculated on AIBD basis.

Electricité de France

Notice to Holders of the Following Issues:

ECU 150,000,000 11¼% Notes due 1991
ECU 175,000,000 8⅞% Bonds due 1992
ECU 60,000,000 12¼% Notes due 1993
ECU 225,000,000 9⅞% Bonds due 1995
ECU 150,000,000 9% Notes due 1997
ECU 100,000,000 7⅞% Bonds due 1998
ECU 200,000,000 8¾% Notes due 1999
All guaranteed by The Republic of France (the "Existing Notes")

EXCHANGE OFFER
of up to
ECU 1,192,000,000
10½% Guaranteed Notes due 2001
(the "New Notes")
guaranteed by
The Republic of France
in exchange for the Existing Notes

The exchange offer by Electricité de France (E.D.F.), Service national ("E.D.F.") of the New Notes for the Existing Notes is open to holders of the Existing Notes from and including 19th November, 1990 to and including 30th November, 1990 or such later date as E.D.F. may determine (the "Exchange Period"). Exchanges may only be made through Euroclear or Cedel.

ECU 150,000,000 principal amount of the New Notes are being issued as an initial tranche to be underwritten by Paribas Limited and a syndicate of co-lead managers.

The exchange price applicable to each issue of Existing Notes will be made available to Noteholders at 9 am (London time) on each business day during the Exchange Period. The exchange price will be posted on Reuters screen EDFA. Noteholders may also obtain the current exchange price for their holding by contacting the Exchange Agent, Banque Paribas Luxembourg, (tel: Luxembourg (352) 46464221/(352) 46464223 (attention: "Opérations de Marche")).

It is E.D.F.'s intention that the exchange price posted each day will be calculated by reference to a formula whereby E.D.F. shall offer to buy Existing Notes at a spread above or below a selected benchmark for each issue of Existing Notes and shall offer New Notes at a spread over the then currently quoted yield of the Republic of France ECU 1.5 billion 10% OAT due 2001 (bid price).

It is E.D.F.'s intention that such reference benchmarks and the applicable spread over the 10% 2001 OAT shall remain constant during the Exchange Period; however E.D.F. reserves the right to post any price.

Paribas Limited is Lead-manager of the issue of the New Notes and arranger of the exchange offer. Further details of the exchange offer (including the terms of the exchange offer and the Form of Acceptance) are available from Paribas Limited (tel: London 071-355 2000 (attention: New Issues Department)) and Banque Paribas Luxembourg on the above numbers and also from Euroclear (tel: Brussels (322) 519 1211 (attention: P. Laurensy)) and Cedel (tel: Luxembourg (352) 44 99 21 (attention: D. Kummer)).

This notice has been approved by Paribas Limited

BANQUE INDOSUEZ
USD 150.000.000,-
Subordinated FRN due 1998

Notice is hereby given pursuant to the terms and conditions of the notes that for the six month period from November 15th, 1990 to May 15th, 1991. the notes will carry an interest of 8.575% per annum. On May 15th, 1991, interest of US Dollar 215.565,97 will be due per US Dollar 5.000,000,-note for coupon nr 6.

Banque Indosuez Luxembourg
Fiscal and Agent Bank

SOCIETE NATIONALE DES CHEMINS DE FER FRANCAIS
USD 60.000.000,–
FRN DUE 1991
UNCONDITONALLY GUARANTEED BY THE REPUBLIC OF FRANCE

Notice is hereby given pursuant to the terms and conditions of the notes that for the six month period from November 15th, 1990 to May 15th, 1991, the notes will carry an interest of 8,25 % per annum.
On May 15th, 1991, interest of US dollar 4.147,92 will be due per US dollar 100.000,- note for coupon nr 16.

Banque Indosuez Luxembourg
fiscal agent

NOTICE TO THE WARRANTHOLDERS OF
MARUI CO., LTD.
U.S.$500,000,000 2¾ per cent. Bonds Due 1993
with Warrants to Subscribe for Shares of Common Stock
and
TO THE HOLDERS OF
MARUI CO., LTD.
U.S.$100,000,000 3½ per cent. Convertible Bonds 1999

Pursuant to Clause 3(xiii) of the Instrument dated 14th December, 1989 (the "Instrument") relating to the above-captioned warrants (the "Warrants") and Condition 5(xii) of Terms and Conditions of the Bonds relating to the above-captioned Bonds (the "Bonds"), notice is hereby given as follows:

In accordance with the resolutions of the Board of Directors of Marui Co., Ltd. (the "Company") adopted at the meeting held on 30th October, 1990, the Company issued ¥70,000,000,000 convertible bonds due 1999 on 15th November, 1990 which initial conversion price is ¥2,542 per share.

As a result of the above issue, the Subscription Price of the Warrants (as defined in the Instrument) has been adjusted pursuant to Clause 3(v) of the Instrument as set forth below:

Subscription Price before adjustment:	¥3,588.00
Subscription Price after adjustment:	¥3,584.20
Effective date of adjustment:	15th November, 1990, Japan time.

As a result of the above issue, the Conversion Price of the Bonds (as defined in the Trust Deed dated 9th July, 1984 relating to the Bonds) has also been adjusted pursuant to Clause 5(iv) of such Trust Deed as set forth below:

Conversion Price before adjustment:	¥1,128.20
Conversion Price after adjustment:	¥1,127.00
Effective date of adjustment:	15th November, 1990. Japan time.

Dated: 19th November, 1990

The Mitsubishi Bank, Limited
and
Citibank, N.A.
as Principal Paying Agents
on behalf of
Marui Co., Ltd.

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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

FLASH LIMITED SERIES F
U.S. $30,000,000
Secured Floating Rate Notes Due 1993

In accordance with the conditions of the notes, notice is hereby given that for the three-month period 19th November 1990 to 19th February 1991 (92 days) the notes will carry an interest rate of 8.2125% p.a. Relevant interest payments will be as follows:
Notes of U.S. $100,000
U.S. $2,098.75 per coupon.
THE SANWA BANK LIMITED
Agent Bank

New Issue — *These Notes having been sold, this announcement appears as a matter of record only.* — November, 1990

NIHON DORO KODAN
– JAPAN HIGHWAY PUBLIC CORPORATION –
(Incorporated in Japan pursuant to the Nihon Doro Kodan Law)

U.S.$190,000,000
9½ per cent. Guaranteed Bonds Due 2000

unconditionally and irrevocably guaranteed as to payment of principal and interest by

JAPAN

Issue Price 101¼ per cent

LTCB International Limited

Paribas Capital Markets Group	UBS Phillips & Drew Securities Limited
Bank of Tokyo Capital Markets Group	Crédit Lyonnais Euro-Securities Ltd.
Credit Suisse First Boston Limited	Daiwa Europe Limited
Deutsche Bank Capital Markets Limited	IBJ International Limited
Kankaku (Europe) Limited	Lehman Brothers International
Merrill Lynch International Limited	Mitsui Taiyo Kobe International Limited
J. P. Morgan Securities Ltd.	Morgan Stanley International
The Nikko Securities Co., (Europe) Ltd.	Swiss Bank Corporation Investment Banking
S.G. Warburg Securities	Yamaichi International (Europe) Limited

WORLD STOCK MARKETS

AUSTRIA

1990			Price
High	Low	November 16	Sch
5,430	2,100	Austrian Airlines	2,510
7,300	3,250	Creditanstalt	3,250
29,590	16,550	Erste Allgemeine	20,100
19,600	8,250	Jungbunzlauer	8,250
1,435	660	Laenderbank	1,250
14,230	8,000	OeMV	8,730
2,380	1,360	Perlmooser	1,500
1,400	695	Radex	765
3,400	1,460	Reininghaus	1,701
250	115	Steyr-Daimler	158
1,510	659	Veitscher Mag	685
770	425	Verbund	474
7,580	4,100	Wienerberger	5,020

BELGIUM/LUXEMBOURG

1990			Price
High	Low	November 16	Frs.
5,370	2,310	ACEC-Union Min.	2,310
5,750	2,900	Arbed	2,990
3,520	2,480	B B L	2,480
15,700	13,000	Bank Intl a Lux	13,000
15,000	13,000	Banque Gen. Du Lux	13,000
2,470	1,248	Barco	1,256
16,650	7,460	Bekaert	7,780
9,900	5,620	Ciment CBR	5,620
5,990	4,630	Cobepa	4,890
6,030	4,630	Do. AFV 1	4,850
214	138	Cockerill	142
2,970	1,860	Colruyt	2,765
6,920	5,000	Delhaize	5,740
4,560	3,755	EBES	4,300
4,490	3,670	Do AFV 1	4,175
7,490	5,900	Electrafina	6,190
544	145	Fabrique Nat	190
1,476	1,110	GIB Group	1,110
1,460	1,072	Do AFV	1,102
4,640	3,220	GBL (Brux)	3,290
4,630	3,205	Do AFV 1	3,256
952	628	Gechem	682
930	602	Do AFV	696
5,900	4,110	Generale Bank	4,380
6,100	4,350	Do. AFV 1	4,500
8,990	6,500	Gevaert	6,500
3,710	2,990	Intercom	3,440
3,660	2,900	Do AFV 1	3,340
4,625	3,155	Kredietbank	3,155
4,650	3,100	Do AFV	3,105
15,430	12,000	Pan Holdings	12,030
12,750	9,970	Petrofina	10,350
6,850	4,515	Royale Belge	4,600
6,900	4,350	Do AFV 1	4,350
3,505	1,875	Soc Gen Belge	1,900
3,650	2,005	Do. AFV	2,025
14,700	10,250	Sofina	11,100
15,325	9,200	Solvay	9,980
10,300	4,910	Tessenderlo	5,650
10,025	4,900	Do. AFV	5,560
9,740	6,710	Tractebel	8,000
9,500	6,510	Do. AFV 1	8,170
26,950	16,875	UCB	18,675
25,000	14,850	Do. AFV	16,925
2,645	2,060	Unerg	2,235
2,615	2,095	Do. AFV 1	2,200
12,250	6,650	Wagons Lits	6,800
11,400	6,320	Do. AFV	6,950

DENMARK

1990			Price
High	Low	November 16	Kr
1,015	701	Baltica Hldgs	920
1,375	1,200	Carlsberg	1,350
980	809	Danisco	850
365.85	274	Den Danske Bank	283
285	190	East Asiatic	209
1,055	715 8	FLS Inds. B	805
955.2	710	GN Great Nordic	725
1,080	680	Hafnia Invest A	840
940	780	I.S S B Systems	850
445	365	Jyske Bank	380
1,870	1,170	Lauritzen (J) B	1,260
590	400	NKT A/S	412.5
340	277	Novo Nordisk	329
540	480	Royal C'hagen A	510
1,300	1,018	Sophus Berendsen	1,250
6,000	4,700	Superfos	4,700
1,480	1,010	TopDanmark	1,200
322	265	Unidanmark	265

FINLAND

1990			Price
High	Low	November 16	Mka
165	50	ier	62
94.5	32.3	itor	40
26.75	11.9	so-Gutzeit R	12.4
121	68 5	uhtamaki I Free	68.5
52.6	28	KOP	32
712	450	Kone	481
125	50	Kymmene	57
100	47	Nokia Pref Free	47
135.5	22 5	Pohjola 'B' Free	68
46	21	Rauma-Repola	23
235	80	Stockmann 'B'	100
125	28	Tampella (Free)	31
32	18	UBF'C'	19.1
167.5	85	Utd. Paper Prf.	85
471.5	360	Wartsila (s11)	374

FRANCE

1990			Price
High	Low	November 16	Frs.
1,065	641	Accor	709
723	545	Air Liquide	648
3,180	1,540	Arjomari-Prioux	1,547
1,215	810	Auxiliaire d'Ent.	994
800	453	BIC	490
894	688	BSN	736
665	323	Bancaire Cie	472
489	216.9	BNP (Cert.Inv.)	245

FRANCE (continued)

1990			Price
High	Low	November 16	Frs.
935	677	Beghin-Say	688
685	480	Do. Certs	588
3,480	2,287	Bongrain	2,385
683	369	Bouygues	379 8
726	356	CFAO	383
1,534	814	CGIP	821
235	100	CMB Packaging	109
993	766	Canal+	898
3,780	3,065	Carrefour	3,375
215	108	Casino	138
649	324	Cetelem	455
1,376	685	Chargeurs	802
1,813	939	Ciments Fr.	939
788	382	Club Mediterranee	424
486	345	Cogifi	390
652	460	CGE	539
771	343	Coparex	650
262.8	141.2	CCF	156
1,420	822	Cred Foncier Fr	900
898	507	Cred Lyonn (CI)	507
1,591	861	Credit National	920
4,330	1,900	Damart	1,903
5,770	2,870	Docks de France	3,680
643	350	Dollfus-Mieg	385
2,750	1,992	Eaux (Cie Gen)	2,214
620	291.5	Ecco	294
730	511	Elf-Aquitaine	629
525	406	Do. Certs	466.8
1,400	900	Epeda-Bertrand	939
604	250 1	Essilor	280
2,515	1,370	Etex	1,425
2,690	1,261	Eurafrance	1,300
1,225	699	Eurocom	699
108.2	75.7	Euro Disneyland	95
4,920	2,930	Euromarche	3,150
2,029	1,258	Eror	1,310
221	123	Finextel	133.9
1,120	605	Fonciere Lyonn	782
2,700	1,575	Fromageries	1,674
453	280 2	GTM-Entrepose	300
1,126	802	Gaumont (Soc N)	1,002
1,409	978	Gen Geophysique	969
875	545	Gen. Occidentale	549
484 8	154.9	Hachette	154.9
698	423.3	Havas	530
375	211	Imetal	211
1,685	1,145	Immeubles de Fr	1,175
860	640	Immobanque	714
9,400	4,000	Industrielle	5,150
540	370	Interbail	433
1,470	962	Intertechnique	1,040
5,450	3,110	LVMH	3,640
491	314	Lafarge Coppee	340.1
710	476	La Henin	520
555	420	L'Oreal	497 8
4,590	3,135	Legrand	3,580
549	386	Locafrance	415
745	435	Lyon Eaux Dumez	514
130.8	68.2	Maisons Phenix	119.7
420	205	Matra S.A.	218.8
639	450.2	Merlin-Gerin	464
176.8	58	Michelin B	65.2
1,442	831	Midi (Cie)	894
152	70.6	Moulinex	79.8
2,299	1,227	Navigation Mixt.	1,227
206	116	Nord Est	129
815	533	Nouvelle Galer.	685
1,999	1,310	OFP	1,560
394	110	Orsan	110
714	419.9	Paribas	492.4
503	285	Paris Rescompte	294
1,850	1,300	Pechelbronn	1,305
1,340	909	Pernod Ricard	965
1,869	1,034	Perrier	1,248
919	479.1	Peugeot S.A.	498.9
659	380	Poliet	408
1,240	878	Pretabail Sicomi	1,018
777	431	Printemps Au	584
2,280	1,750	Promodes	1,920
730	310	Radiotech	343
3,640	2,190	Redoute	2,810
485 5	191	Rhone-Poul (Cts)	245
2,379	1,630	Roussel-Uclaf	1,900
869	556	SILIC	610
1,700	1,300	Sagem	1,330
670	326.5	St.Gobain	362
1,618	1,005	Saint Louis	1,295
1,142	706	Sanofi	825
1,179	587	Schneider	605
1,380	991	Seb SA	1,165
550	383	Sefimeg	447.5
645	475	Simco	534
1,090	702	Skis Rossignol	711
629	335	Soc Gen. de Fr	396
2,675	1,018	Sommer-Allibert	1,230
892	358.5	Sale-Batignolles	359
498.4	260.3	Suez (Fin de)	309.4
5,990	3,335	Taittinger	3,800
151.8	90	Thomson (CSF)	100
730	516	Total-Petroles Fr.	655
715	436	UAP	540
484	185	UFB Locabail	222
949	729	Unibail	743
707	525	Union Immob Fr	600
846	293	Valeo	337.5
489	201	Vallourec	214

GERMANY

1990			Price
High	Low	November 16	Dm.
336 5	200 5	AEG	213
1,022	646	AG Ind & Verkehr	880
1,100	650	Aachener Mu (Reg)	710
2,963	1,938	Allianz AG	2,113
587	389.2	Altana	496
985	629	Asko Deutsche K	949.8
843	520	Do. Prf.	815
324	184.4	BASF	196
273	205	Badenwerk	218
334.5	195.3	Bayer	211.2
462.5	292.8	Bayer-Hypo	307

GERMANY (continued)

1990			Price
High	Low	November 16	Dm.
658	378 5	BMW	405
459	303	Bayer-Verein	329
855	515	Beiersdorf	732
175	109.5	Berliner Kraft	124
528	343	BHF-Bank	355
1,004	604	Bilfinger & Berg	818
1,010	580	Brown Boveri	779
1,480	956	Colonia Versich	1,345
955	457	Do Pref	625
336 1	205	Commerzbank	218.8
344.5	191.5	Continental AG	203.5
890	515	DLW	575
955	550	Daimler-Benz	576
240	130	Decrel (Fr.)	130
588	270.5	Degussa	289
253.5	126.5	Deutsche Babcock	144
850	563.5	Deutsche Bank	588.5
285	150.2	Didier-Werke	158
929.5	711	Douglas Hldgs	848
380	258	Dragerwerk	285
472.5	331	Dresdner Bank	347
507	232.5	Fag Kugelfischer	241
373	220	Gerresheimer	298
750	472	Goldschmidt (TH)	720
232	163	Hamburg Elekt	175
518	328	Hapag Lloyd	334
1649 8	940	Heidelberger Zem	1,080
693.8	511	Henkel Pref.	590
396	212.8	Herlitz	358
1,583	970	Hochtief	1,285
319	177	Hoechst	189.8
371	199	Hoesch	203
1,779	1,057	Holzmann (P)	1,325
369	168	Horten	223
327	234	Industriekredit	245
495	258	Industrie Werke	275
280.5	140.5	Kali & Salz	141.5
756	565	Karstadt	673
700	496	Kaufhof	540.5
291	141.5	KHD	179
258.5	114	Kloeckner Werke	135
342	290	Kraft Werke Rh	297
1,280	850	Lahmeyer	1,069
875	625	Leifheit	745
1,059	702	Linde	791
234.5	101	Lufthansa	115
203	93	Do. N/V Pref.	109
545	315	MAN	382
419	259	Do. Pref.	319.5
405 5	224	Mannesmann	275
1084.5	779.5	Mannheimer Vers	808
799	457	Mercedes Hld	477
714.5	420	Metallgesell	420
2,920	1,750	Muench Rck (Reg)	2,198
367	204	PWA	210.5
580	508	Philips Kommun.	520
1,310	700	Porsche	730
491	282	Preussag	290.1
3,180	1,960	Rheinelektra	2,605
516	348	Rhein West Elect	410
415	280	Do. Pref.	328.5
460	284	Rheinmetall Berl	292
303	178	Do. Pref.	181
421	340	Rosenthal	347.5
856	559	Schering	721
322.5	168	Schmalbach-Lub	290
816 2	514.6	Siemens	606.5
885	607	Springer Axel Rg	772
825	560	Sud-Chemie	600
335	178	Thyssen	198.2
450	287	Varta	293
492	288.5	Veba	304
256.5	198.8	V E W.	212.5
455	314	Verein-West	318
444	311	Viag	341
643	332	Volkswagen	341.7
543	284.5	Do. Pref.	294
783.5	609	Wella Pref.	710.5
368	190	Zanders Fein'per	227

ITALY †

1990			Price
High	Low	November 15	Lire
5,949	4,067	Banca Com'le	4,095
9,510	5,010	Banca Naz Agric	5,100
7,944	5,700	Banco Lariano	5,950
381	225	Bastogi-IRBS	264
14,750	7,290	Burgo (Cartiere)	7,510
5,790	2,699	CIR	2,699
1,490	710	Caffaro	713
4,275	1,985	Cementir	1,985
6,199	3,086	Cigahotel	3,150
4,960	2,770	Cofide	2,775
3,039	2,190	Credito Italiano	2,194
12,930	7,420	Danieli	7,550
1,670	985	Enimont	985
10,365	7,550	Eridania	7,550
3,287	1,901	Ferruzzi Fin	1,990
11,320	5,475	Fiat	5,475
7,820	4,015	Do Priv.	4,015
8,478	5,445	Fidis	5,881
64,160	37,200	Fondiaria	37,200
2,450	1,550	Gemina	1,581
40,809	29,705	Generali Assicur	29,705
5,585	2,910	Gilardini Inds.	2,945
30,680	14,200	IFI Priv.	14,280
11,000	4,600	Italcable	6,595
31,420	18,000	Italcementi	18,000
3,120	2,595	Italgas	2,600
18,400	11,280	Lloyd Adriatico	13,000
2,248	900	Magneti Marelli	920
22,500	13,401	Mediobanca	13,500
2,108	1,080	Montedison	1,170
7,699	3,411	Olivetti	3,415
11,400	5,801	Pirelli Co	5,801
3,125	1,560	Pirelli Spa	1,572
8,038	5,402	Rinascente La	5,450
28,250	18,000	RAS	18,000
1,892	1,070	SIP	1,077
11,741	7,190	Saffa A	7,190
3,600	1,701	Saipem	1,771

ITALY † (continued)

1990			Price
High	Low	November 15	Lire
8,465	5,800	SASIB	6,520
15,235	10,300	Sirti Spa	10,550
2,275	1,180	SMI	1,310
3,025	1,403	Snia BPD	1,403
2,840	1,747	STET	1,748
27,800	18,980	Toro Assicur	20,110
36,280	25,800	Tosi Franco	29,200
18,500	9,330	Unicem	9,700

NETHERLANDS

1990			Price
High	Low	November 16	Fls.
36	30	ABN Amro Hldgs	31.20
42.5	30	ACF Holding	33.20
132.8	103.9	AEGON	105.80
148 4	111.8	Ahold	133.40
141.2	63.8	AKZO	67.80
63 1	43.6	AMEV	43.60
191	158	Bols Lucas	168.00
94	67.9	Borsumij Wehry	69.00
75 4	47.7	Buehrmann-Tet.	49.30
91.2	72.7	Centrale Suiker	84.90
42.9	17.5	DAF	18.20
126.4	76.7	DSM	79.50
141.1	120	Dordtsche Petroleum	120.00
96.8	70.3	Elsevier Dp Rcts	75.80
53.5	32.3	Fokker	35.80
104.8	78	Gamma	92.00
35.4	22	Gist Brocades	27.60
134.2	102	Heineken	128.40
219	162	Holl. Beton	162.00
89.9	49	Hoogovens	53.60
111.5	56	Hunter Douglas	57.20
57	36.1	IHC Caliand	51.50
106.5	57.9	Int. Mueller	74.50
50 2	18 9	KLM	19.80
17.8	8.5	Kempen	8.80
53.5	35.1	KNP	37 4
54.5	37.4	NMB Postbank	42.00
76	47.7	Nat Ned Cert	51.30
107.8	36.6	Nedlloyd	39.00
117.5	80.8	Nijverdal-Ten Ct	81.50
115.4	76.5	Nutricia Ver B.	114.70
63.5	36.2	Oce Grinten	37.50
46.8	34	Ommeren (Van)	42.00
225.5	143.2	Pakhoed	193.50
47.4	18.8	Philips	19.20
37.8	29.3	PolyGram	30.80
110.8	83	Robeco	85.00
82	48 6	Rodamco	49.20
109.8	77 6	Rolinco	79.20
60.2	57 1	Rorento	59 90
154 7	127.1	Royal Dutch	127.10
164.9	134.6	Unilever	144.60
59.6	41.4	VMF Stork	45.20
113.5	73.7	VNU	83.70
76.2	53.9	Wessanen	61.60
56	43.7	Wolters Kluwer	51.00

NORWAY

1990			Price
High	Low	November 16	Kroner
205	86	Aker A (Free)	90.00
231	107	Bergesen A	117.50
184	78	Ch'stiania Bk Free	86.00
152	130	Den norske Bk Free	145.00
170	100	Dyno Ind.	101.00
322.5	115	Elkem (Free)	120.00
230	135	Hafsl Nyco A Free	143.00
360	207.5	Kvaerner (Free)	210.00
395	285	Nora Indust Free	300.00
56	30	Norsk Data A	42.00
254.5	160	Norsk Hydro	187.00
184	114	Norske Skog A Fr	120.00
285	180	Orkla Borr (Free)	196.0
189	81	Saga Pet A Free	139.0
193	84	Saga Pet B Free	127.5
158	105	Storebrand (Free)	115.00
182.5	80	Vard AS A	84.00

SPAIN

1990			Price
High	Low	November 16	Pts.
3,895	2,415	Banco Bilbao Viz	2,600
5,100	3,995	Banco Central	4,610
3,430	3,060	Banco Exterior	3,380
3,910	2,150	Banco Hispano	2,810
10,000	6,800	Banco Popular	8,750
5,842	3,650	Banco Santander	4,700
4,975	2,700	Banesto	3,020
5,300	3,300	Bodegas Bebidas	3,300
13,360	4,600	Citroen Hispania	6,500
8,350	4,310	Corp Fin Alba	5,880
8,910	3,545	Corp. Mapfre	4,110
3,091	2,073	Dragados	2,430
3,600	1,900	Ebro	2,260
3,250	2,440	Electra Viesgo	3,180
2,590	1,770	Endesa	1,925
2,270	892	Energia Ind Ara	1,155
1,850	621	Ercros	636
8,250	3,030	Esp Carburos Mt	3,935
1,550	790	Esp Acum Tudor	1,020
5,100	3,230	Fasa Renault	3,530
690	440	Fecsa	566
1,910	1,390	Hidroel Cantab.	1,555
580	381	Hidrola	421
732	540	Iberduero	632
5,200	2,900	Koipe	2,900
1,650	1,000	Metal Duro-Felg	1,200
2,460	1,460	Petroleos (Cia Esp)	1,960
26,450	13,000	Portland Vald.	19,500
2,925	2,010	Repsol	2,100
885	277	SNIACE	280
1,670	680	Sarrio	702
648	411	Sevillana Elec.	479
4,445	2,715	Tabacalera	3,695
970	765	Telefonica	820
603	427	Union Elec-Fen.	500
11,300	4,900	Union y el Fenix	6,700
3,870	1,485	Uralita	1,730
2,350	1,195	Urbis Ser.2	1,555

SWEDEN

1990			Price
High	Low	November 16	Kronor
320	225	AGA B (Free)	265
284	160	Alfa-Laval B (Free)	168
850	525	Asea B (Free)	532
560	357	Astra A (Free)	510
600	373	Astra B (Free)	510
380	163	Atlas Copco A (Free)	172
311	130	Electrolux B (Free)	130
233	136	Ericsson B (Free)	209
235	120	Esselte B (Free)	120
173	115	Gambro B Free	132
340	152	Mo Och Dom B Free	200
295	60	Nobel Free	73
188	118	Procordia B (Free)	132
288	136	Saab-Scania B Free	143
356	195	Sandvik B (Free)	195
228	125	Skandia (Free)	132
91.5	54	Skan Enskilda C	59
184	70	SKF B Free	72
377	195	Stora Kopp B Free	210
130	73	SCA B (Free)	73
145	91	Svka Handelsbn.	91
190	94	Trelleborg B Fr	101
453	205	Volvo B (Free)	205

SWITZERLAND

1990			Price
High	Low	November 16	Frs.
2030.0	870.0	Adia Intl (Br)	950
276.0	98.0	Do. Ptg.Certs.	101
1,590	858	Alusuisse Lonza	858
133	69	Do. Ptg. Certs.	70
2,560	1,735	Baloise Hld Ptg	1,970
6,310	3,840	Brown Bov (Br)	4,280
1,200	750	Do. Ptg.	760
2,710	1,620	CS Hldgs.	1,620
3,820	2,270	Ciba Geigy (Br)	2,270
3,230	1,870	Do. (Reg)	1,870
3,080	1,840	Do. (PtCts)	1,840
3,540	2,800	Elektrowatt	3,230
2,350	1,600	Elvia	1,700
2,390	1,300	Fischer (Geo.)	1,340
413	193	Do. Ptg.	215
2,940	1,740	Forbo	1,950
7,375	4,100	Holderbank (Br)	4,150
5,900	4,600	Holzstoff (Br)	4,800
2,350	1,500	Jelmoli	1,500
465	315	Do. Ptg. Certs	315
1,575	925	Landis and Gyr	990
147	83	Do Priority Ptg	88
3,365	1,120	Leu Hldgs (Br)	1,150
415	183	Do. Ptg.	183
990	725	Mag. Globus Ptg	830
640	396	Mikron (Reg)	455
1,845	1,305	Motor-Columbus	1,330
9,240	6,960	Nestle	7,500
9,185	6,640	Do. (Reg)	7,160
1,115	460	Oer-Buhrle	460
1,880	995	Pargesa Hldg	1,080
500	355	Pirelli	359
9,850	6,800	Richemont	7,010
8,540	6,000	Roche Hldgs (Br)	6,500
4,555	3,240	Do (Genuss)	3,800
12,400	8,500	Sandoz (Br)	8,550
2,370	1,540	Do. (PtCts)	1,700
7,750	4,650	Schindler (Br)	4,650
1,425	770	Do. (PtCts)	799
1,020	730	Sika	750
8,625	5,062	Surveillance (Br)	6,190
1,300	580	Swissair	595
356	260	Swiss Bank (Br)	265
294	219	Do. Ptg.	220
4,000	2,450	Swiss Reinsce	2,600
658	431	Do. Ptg.	479
1,865	1,025	Swiss Volksbk	1,045
4,180	2,580	Union Bank (Br)	2,750
151	103	Do. Ptg.	109
4,600	3,200	Winterthur	3,580
814	574	Do. Ptg.	665
5,450	3,470	Zurich Ins	3,840
2,360	1,600	Do. Ptg.	1,735

SOUTH AFRICA

1990			Price
High	Low	November 16	Rand
18.75	12.25	AECI	12.25
82.5	55	Allied Tech	71.5
100	70	Anglo Am Coal	81
147.75	89.5	Anglo Am Corp	91.75
412	233	Anglo Am Gold	233
34.5	29.75	Barlow Rand	33.25
72.25	47	Buffels	49
16.35	10.2	CNA Gallo	15.5
107	60	De Beers/Centen'y	61.75
21	8	Deelkraal Gold	8
57.75	37.25	Driefontein	37.5
19.75	7	East Rand Gold	7
40.5	20.25	Elandsrand Gold	26.5
30.5	23	First Nat. Bank	30
59	29	Free State Cons Gold	30.75
110.5	59	Gold Fields SA	60
36.5	18.75	Hartebeest.	18.75
19.5	11.75	Highveld Steel	12.5
2.84	1.65	ISCOR	1.65
78	47	Kinross Gold	56
46.75	30.5	Kloof Gold	31.5
11	2.5	Libanon Gold	2.5
22.5	12.25	Micor	14.5
12.5	8.75	Nedcor	10
20	13	OK Bazaars	13.35
82.5	47.5	Palabora Mining	63.5
15.75	12.2	Rembrandt	13.2
92	58.25	Rust Plat	59
50	30	Safmarine & Ren.	38
10.55	6.25	Sage Holdings	6.25
41	26.5	Smith (CG) Fds	30
42	29.75	SA Brewers	39
31	15.25	SA Mang. Amcor	21
30	20.25	Tiger Oats	24.25
20.25	13	Tongaat Hulett	13.5
451	222	Vaal Reefs	222
195	102	Western Deep	115

JAPAN

1990			Price
High	Low	November 16	Yen
2,840	1,250	Ajinomoto	1,510
1,200	630	Akebono Brake	706
2,160	1,010	All Nippon Air	1,290
2,510	1,380	Alps Electric	1,380
2,230	1,030	Amada	1,180
2,550	1,610	Amano	1,970
1,790	929	Ando Construct	1,260
2,960	1,280	Anritsu	1,520
1,450	615	Aoki Corp.	895
14,900	4,850	Arabian Oil	7,260
2,100	1,050	Asahi Breweries	1,160
1,240	673	Asahi Chemicals	690
2,380	1,040	Asahi Glass	1,250
1,150	483	Asahi Optical	719
1,010	416	Asics Corp.	520
1,700	927	Atsugi Nylon	1,300
1,720	750	Banyu Pharm	1,030
1,740	998	Bridgestone	1,060
1,070	530	Brother Inds	591
6,800	3,650	CSK Corp.	4,550
1,770	1,000	Calpis Food	1,060
1,300	600	Calsonic Corp.	615
1,940	1,260	Canon	1,270
5,170	3,500	Canon Sales	4,100
1,740	940	Casio Computer	985
1,360	585	Central Finance	585
1,020	491	Central Glass	557
1,700	790	Chiba Bank	815
2,690	981	Chiyoda Chem	1,600
1,410	634	Chiyoda Fire	741
4,970	2,000	Chubu Elect Pwr	2,520
2,150	986	Chugai Pharm	1,240
3,990	1,740	Chugoku El Power	2,050
1,200	725	Citizen Watch	930
1,140	632	Daicel Chemical	819
2,980	1,970	Daiichi Seiyaku	2,320
1,250	494	Daido Steel	561
3,050	1,140	Daiei	1,320
2,910	1,690	Daifuku	2,630
3,180	1,600	Dai Ichi Kan Bank	1,750
2,160	1,400	Daikin Inds	1,690
4,350	1,600	Daikyo Kanko	1,790
1,770	811	Daimaru	940
947	472	Dai Nippon Ink	481
3,290	1,710	Dai Nippon Phar	2,030
2,390	1,280	Dai Nippon Ptg	1,490
1,070	455	Dai Nippon Toryo	521
3,480	3,060	Daishowa Paper	3,150
1,550	590	Dai Tokyo F&M	835
1,720	1,040	Daiwa Bank	1,160
2,770	1,630	Daiwa House	1,810
2,360	895	Daiwa Sec	1,000
5,890	2,870	Denny's	3,550
1,470	570	Dowa Fire & Mar	722
1,550	490	Dowa Mining	597
2,230	1,130	Ebara	1,500
2,320	1,430	Eisai	1,890
1,650	874	Ezaki Glico	1,030
8,590	4,410	Fanuc	4,460
1,550	810	Fodo Construct	1,000
3,610	1,640	Fuji Bank	2,000
1,260	700	Fuji Electric	786
4,500	3,227	Fuji Film	3,480
1,630	800	Fuji Fire & Mar	975
949	440	Fuji Heavy Ind	570
1,320	590	Fujitura	770
2,390	1,270	Fujisawa	1,570
937	480	Fuji Spinning	589
5,070	2,500	Fujita Tourist	2,690
1,640	979	Fujitsu Ltd	979
1,160	540	Furukawa Elect	664
3,370	1,200	Gakken	1,550
1,930	830	Gen Sekiyu	900
2,420	829	Godo Shusei	975
2,280	950	Green Cross	1,150
1,760	1,060	Gun-Ei Chem	1,210
1,370	660	Gunze	740
1,408	575	Hankyu Corp.	630
1,280	440	Hanshin El Rail	505
1,650	855	Haseko	855
6,080	4,540	Hattori Seiko	4,700
1,540	695	Hazami-Gumi	1,270
2,310	881	Heiwa Real Est	975
1,300	780	Hino Motors	855
7,460	4,860	Hirose Electric	5,000
1,360	840	Hiroshima (Bank)	900
1,710	1,080	Hitachi	1,080
1,320	801	Hitachi Cable	948
2,000	1,000	Hitachi Credit	1,250
2,420	1,250	Hitachi Koki	1,320
3,620	1,890	Hitachi Maxell	2,040
1,740	1,090	Hitachi Metals	1,340
1,400	735	Hitachi Sales	855
914	390	Hitachi Zosen	474
4,100	1,750	Hokkaido Elect.	2,180
1,600	760	Hokkaido Takush	762
4,190	1,790	Hokuriku El Pwr	2,110
1,910	1,240	Honda	1,320
4,990	1,340	Honshu Paper	2,820
2,770	1,460	House Food Ind	1,770
3,430	2,020	Hoya	2,240
1,480	500	IHI	660
1,350	536	Ihara Chemical	640
2,200	1,070	Ikegami Tsush	1,310
1,960	1,080	Inax	1,220
6,520	2,100	Indl Bank Japan	2,800
1,300	800	Iseki & Co.	1,100
4,650	3,140	Isetan	3,490
940	464	Ishihara Sangyo	506
1,160	445	Isuzu Motors	610
1,290	562	Itoh (C)	632
1,530	780	Itoham Foods	878
1,620	605	Itoman & Co	645
4,680	3,100	Ito Yokado	3,650
1,320	680	Iwatsu Electric	820
4,030	1,860	Izumiya	2,630
3,180	1,750	JGC Corp.	2,010
1,590	830	J E O L	1,300
5,000	2,660	Janome Sew Mach	2,710
1,920	931	JAL	1,070

1990			Price
High	Low	November 16	Yen
2,180	890	Japan Metals	1,130
3,030	1,850	Japan Radio	1,940
1,150	495	Japan Steel Wks	515
1,350	665	Jap S Battery	700
1,480	596	Japan Synth Rbr	658
3,240	1,130	Japan Wool	1,430
1,180	490	Jujo Paper	535
3,030	1,180	Jusco	1,600
1,990	1,370	Kagome	1,490
2,180	1,230	Kajima	1,500
2,609	1,120	Kaken Pharm	1,300
4,260	2,030	Kandenko	3,090
932	455	Kanebo	529
1,150	562	Kanegafuchi Chm	715
1,380	571	Kanematsu Corpn	645
4,960	2,090	Kansai Elect Power	2,520
1,520	530	Kansai Paint	730
1,714	1,160	Kao Corp	1,270
1,100	420	Kawasaki Heavy	536
1,150	391	Kawasaki Kisen	466
829	395	Kawasaki Steel	395
1,800	650	Keihin Elec Exp	813
1,650	598	Keio Teito Elec	740
1,720	710	Kikkoman	930
3,810	2,160	Kinden	2,850
1,540	683	Kinki Nippon Rl	768
2,040	1,280	Kirin Brewery	1,500
824	450	Kobe Steel	481
3,800	2,800	Koito Mfg	3,290
5,400	2,680	Kokusai Electric	2,940
5,110	2,800	Kokuyo	3,570
1,380	910	Komatsu	1,020
1,750	950	Konica	1,050
4,750	2,500	Koyo Kuen	2,970
1,560	886	Koyo Seiko	997
1,280	560	Kubota	680
1,450	660	Kumagai-Gumi	820
1,430	626	Kumiai Chemical	665
1,900	550	Kurabo Inds	1,350
1,810	1,110	Kuraray	1,310
1,240	578	Kureha Chemical	580
2,710	1,630	Kurita Water	2,460
1,370	600	Kurosaki Refrac	700
9,220	5,460	Kyocera	5,860
1,070	490	Kyodo Shiryo	615
2,440	1,500	Kyotaru	1,680
1,500	710	Kyowa Bank	1,100
1,850	920	Kyowa Hakko	1,030
4,050	1,740	Kyushu Electric	2,050
1,290	570	Lion	680
2,510	1,150	Long Term Cred.	1,150
2,220	1,170	Maeda Corp	1,900
1,920	1,100	Makino Milling	1,270
3,060	1,500	Makita Elect Wk	1,550
1,170	535	Marubeni	630
1,700	865	Marudai Food	1,010
3,640	2,300	Marui	2,320
2,450	1,400	Maruichi Steel	1,880
2,390	1,560	MEI	1,570
2,240	1,410	Matsu Elect. Wks.	1,600
2,920	1,480	Matsushita Koto	1,670
1,870	960	Matsushita Refrig	1,070
1,000	565	Mazda Motors	565
1,130	530	Meiji Milk	654
1,220	570	Meiji Seika	695
1,530	764	Mercian Corp	930
3,610	2,200	Mikuni Coca Cola	2,770
1,260	680	Minebea	840
1,150	576	Minolta Camera	617
3,230	1,510	Misawa Homes	1,800
3,210	1,470	M'bishi Bank	1,780
1,990	1,120	M'bishi Corp	1,220
1,150	620	M'bishi Elec	620
2,470	1,050	M'bishi Estate	1,140
1,060	540	M'bishi Gas Chem	575
1,160	637	MHI	652
1,030	464	M'bishi Kasei	495
1,200	511	M'bishi Metal	556
980	430	M'bishi Min Cmt	480
1,700	640	M'bishi Oil	775
1,300	505	M'bishi Paper	590
1,480	615	M'bishi Petchem	728
1,130	580	M'bishi Plastics	685
896	414	M'bishi Rayon	486
2,510	970	M'bishi Steel	1,220
3,030	1,120	M'bishi Tst	1,420
2,300	1,060	M'bishi Wareise	1,360
1,690	768	M'boshi Belting	881
1,380	610	Mitsui Co	687
1,010	400	Mitsui Eng Ship	534
992	479	Mitsui Mng & Sm	510
1,160	410	Mitsui Osk Line	490
1,720	650	Mitsui Petchem	725
2,860	1,160	Mitsui Real Estate	1,180
2,690	1,170	Mitsui Taiyo Kobe	1,580
1,000	365	Mitsui Toatsu	445
2,050	1,040	Mitsui Tst & Bkg	1,270
1,900	729	Mitsui Wareise	1,020
2,720	1,020	Mitsukoshi	1,170
2,350	1,040	Mitsumi Elect	1,530
1,240	559	Miyaji Iron Wks	735
2,020	1,280	Mizuno Sporting	1,790
5,070	2,000	Mochida Pharm	2,780
1,050	478	Morinaga Milk	600
4,600	2,400	Mori Seiki	2,800
3,570	1,850	Murata Mfg	2,090
2,250	1,270	NEC	1,270
1,730	980	NGK Insulators	1,170
1,730	861	NGK Spark Plug	1,030
1,030	500	NHK Spring	580
785	370	NKK Corp.	378
1,640	737	NOK Corp	882
1,220	620	NTN Toyo Brg	739
1,230	585	Nachi Fujikoshi	700
6,360	3,230	Nagasakiya	5,300
1,610	870	Nagase	1,090
1,500	540	Nagoya Railroad	650
2,250	979	National House	1,150
3,080	1,370	Nichii	1,560
1,460	650	Nichirei	780
1,220	712	Nihon Cement	919
1,150	425	Nihon Nosan	560

1990			Price
High	Low	November 16	Yen
1,790	870	Nihon Parkeriz.	1,110
1,050	500	Niigata Eng	615
1,880	747	Nikko Sec	869
1,750	969	Nikon Corp.	1,030
18,400	8,100	Nippon Cred Bnk	8,400
1,220	470	Nippon Denko	600
2,510	1,590	Nippon Denso	1,630
3,830	1,490	Nippon Elect Gl	1,550
1,720	550	Nippon Express	738
1,780	560	Nippon Fire	740
1,150	498	Nippon Flour	600
3,830	1,990	Nippon Hodo	2,630
1,500	661	Nippon Kayaku	770
1,200	574	Nippon Lt Metal	925
2,290	1,090	Nippon Meat Pack	1,340
1,130	435	Nippon Mining	476
1,910	790	Nippon Oil	866
1,370	610	Nippon Paint	740
2,250	1,280	Nippon Road	1,640
1,110	490	Nippon Sanso	623
1,390	710	Nippon Seiko	730
1,930	900	Nippon Sharyo	1,140
1,230	525	Nippon Sh Glass	607
1,720	710	Nippon Shinpan	720
2,200	1,240	Nippon Shinyaku	1,430
1,320	525	Nippon Soda	675
1,330	660	Nippon Stainless	710
791	398	Nippon Steel	400
1,040	475	Nippon Suisan	598
37,400	22,300	Nippon TV	25,600
1,250	453	Nippon Yakin	562
1,200	500	Nippon Yusen	540
1,170	470	Nippon Zeon	583
1,520	738	Nishimatsu Cons	1,360
1,230	530	Nissan Diesel	644
1,480	705	Nissan Motor	705
3,080	1,500	Nissei Sangyo	1,760
1,980	1,020	Nisshin Flour	1,290
1,460	898	Nisshin Oil	992
1,870	835	Nisshinbo Inds.	950
1,230	525	Nissho Iwai	530
1,660	940	Nissin Electric	1,220
4,290	1,940	Nissin Food	2,530
1,720	762	Nitsuko	860
969	431	Nitto Boseki	507
2,320	920	Nitto Denko	1,030
3,430	1,380	Nomura	1,590
1,910	1,090	Noritake	1,360
1,760	730	Odakyu Elec Rly	785
1,760	1,000	Ohbayashi-Gumi	1,180
1,730	680	Oji Paper	725
1,240	610	Oki Electric	631
1,930	1,210	Okuma Mach	1,260
2,050	1,040	Okumura-Gumi	1,600
1,710	950	Olympus	1,030
3,670	1,620	Omron Corp.	1,840
1,110	495	Onoda Cement	605
6,340	3,320	Ono Pharm	5,300
2,380	1,660	Onward Kashiyama	1,840
1,860	909	Orient Corp	909
6,770	2,110	Orix Corp.	2,710
887	362	Osaka Gas	425
1,420	592	Penta Ocean Con	915
6,800	3,400	Pioneer	3,400
1,130	466	Prima Meat Pack	560
1,380	680	Renown	795
1,330	711	Ricoh	760
3,270	1,770	Royal Co	2,010
1,100	540	Ryobi	698
1,870	870	Saitama Bank	950
1,440	790	Sanden	800
2,920	1,970	Sankyo	2,400
8,990	4,300	Sanrio	5,400
2,770	1,450	Sanwa Bank	1,760
2,700	1,200	Sanwa Shutter	1,570
1,060	616	Sanyo Elect	616
1,100	420	Sanyo Kokusaku	470
2,040	1,000	Sapporo	1,190
7,000	3,780	Secom	5,160
7,790	3,100	Seibu Railway	3,330
2,660	1,620	Seino Transport	2,080
2,670	1,470	Seiyo Food Sys	1,710
3,120	1,210	Seiyu	1,560
1,770	1,030	Sekisui Chem	1,100
2,450	1,280	Sekisui House	1,420
1,380	706	Settsu	760
11,000	5,400	Seven-Eleven	6,780
1,960	1,130	Sharp	1,130
3,920	1,780	Shikoku El Pwr	2,110
2,220	1,460	Shimizu Corp.	1,520
2,040	1,040	Shin-Etsu Chem	1,160
1,810	953	Shionogi	1,090
2,520	1,750	Shiseido	2,210
5,740	2,800	Shochiku	3,350
1,470	654	Shokusan Jutaku	740
1,230	751	Showa Aluminium	799
1,090	400	Showa Denko	475
1,280	514	Showa Elec Wire	679
1,060	510	Showa Sangyo	580
1,750	930	Showa Shell Sek	1,000
3,630	1,880	Skylark	2,600
1,400	657	Snow Brand Milk	840
9,080	5,600	Sony	5,760
1,260	725	Stanley Electric	746
968	475	Sumitomo B'lite	567
3,630	1,570	Sumitomo Bank	1,700
943	445	Sumitomo Cement	525
925	390	Sumitomo Chem	455
1,730	957	Sumitomo Corp.	1,030
1,790	1,140	Sumitomo Elect.	1,270
1,110	450	Sumitomo Heavy	531
939	484	Sumitomo Light M	596
1,570	650	Sumitomo Marine	836
845	398	Sumitomo Met In	425
2,270	1,120	Sumitomo Met Mng	1,140
2,110	895	Sumitomo Realty	979
2,800	1,090	Sumitomo Tr & Bk	1,500
1,470	570	Sumitomo W'hse	640
1,020	535	Suzuki Motor	622
7,590	4,310	TDK	4,310
1,580	820	Taisei Corp	961

1990			Price
High	Low	November 16	Yen
1,570	617	Taisho Marine	899
2,800	1,650	Taisho Pharm	1,970
984	430	Taiyo Fishery	480
1,460	685	Takaoka Elect.	971
1,160	558	Takara Shuzo	700
4,100	2,000	Takashimaya	2,290
2,400	1,240	Takeda	1,650
1,790	855	Tanabe Seiyaku	940
979	490	Teijin	510
1,840	961	Teikoku Oil	1,160
1,900	787	Tekken Constr.	1,300
1,280	574	Toa	868
1,890	830	Tobishima	1,130
1,680	610	Tobu Railway	701
1,880	695	Toei Co.	880
51,300	22,900	Toho	23,400
4,030	1,760	Tohoku Electric	2,120
2,580	1,070	Tokai Bank	1,290
1,190	491	Tokai Carbon	585
1,250	510	Tokico	615
2,130	946	Tokio Marine	1,170
1,040	475	Tokuyama Soda	535
1,970	891	Tokyo (Bank)	981
3,320	1,980	Tokyo B'casting	2,250
6,050	2,700	Tokyo Electric Pwr	3,050
4,025	2,530	Tokyo Electron	2,750
1,140	449	Tokyo Gas	502
1,610	923	Tokyo Rope	1,020
5,870	3,130	Tokyo Steel	3,530
2,990	1,520	Tokyo Style	1,890
3,750	1,600	Tokyu Car	1,840
2,650	1,140	Tokyu Corp	1,140
1,500	540	Tokyu Land	585
2,230	1,040	Tonen Corp	1,370
2,270	1,260	Toppan Print	1,330
1,030	555	Toray	577
1,310	700	Toshiba Elect.	700
1,750	970	Toshiba Eng Con	1,650
1,440	830	Toshiba Machinery	920
1,930	1,290	Toshoku	1,290
940	411	Tosoh Corp	500
2,800	1,460	Toto	1,630
1,270	600	Toyo Construct	790
3,370	2,200	Toyoda Aut Loom	2,400
1,030	491	Toyo Ink	542
1,790	853	Toyo Jozo	1,080
1,470	723	Toyo Kanetsu	782
5,390	3,100	Toyo Seikan	4,750
2,610	1,750	Toyota Motor	1,750
1,850	666	Toyo Tire	730
1,300	611	Tsubakimoto Cin	780
1,480	655	Tsugami	710
890	450	UBE Inds	560
889	390	Unitika	457
3,060	1,350	Victor (JVC)	1,460
1,720	908	Wacoal	1,020
2,190	1,370	Yamaha Corp	1,600
1,430	778	Yamaha Motor	796
1,880	770	Yamaichi Sec	880
3,580	2,340	Yamanouchi	2,800
3,150	1,390	Yamatake H'ywell	1,590
2,450	1,500	Yamato Kogyo	1,720
1,860	919	Yamato Trans	1,060
2,290	1,300	Yamazaki Baking	1,490
1,700	621	Yasuda Fire	830
1,300	556	Yaskawa Elect.	710
1,840	1,070	Yokogawa Elect.	1,140
1,700	955	Yokohama Bank	970
1,460	820	Yokohama Rubber	931
4,300	1,430	Yomiuri Land	1,670
1,960	1,050	Yoshitomi Pharm	1,610
1,630	840	Yuasa Battery	948
1,240	572	Zexel Corp	750

AUSTRALIA

1990			Price
High	Low	November 16	Aust$
1.96	0.9	AFP	1.04
1.12	0 2	AWA	0 40
5.26	3.7	Aberfoyle	3.70
6.56	0.55	Adelaide Steams	0.57
4.48	3.46	Amcor	3.79
3	2.05	Ampol Expl	2.40
6	4 62	Arnotts	4 89
1.81	1.2	Ashton	1.35
6 38	3.72	ANZ Group	3 82
2.09	1.5	Aust. Gas Light	2.02
1.9	1 45	Aust Nat Inds	1.88
11.5	8.74	BHP	10 75
0 68	0.35	BHP Gold	0 47
3.29	2.34	BTR Nylex	2.96
4.01	2.92	Boral	3 22
1.47	0.75	B'ville Copper	0.80
15.15	12.1	Brambles Inds	13 65
1	0 66	Bridge Oil	0.78
1.6	0 89	Brierley Invs	0.89
4.45	3 12	Bundaberg Sugar	3.18
3.75	2.17	Burns Philp	2.45
13.4	9.3	CRA	9.76
5 7	4.63	CSR	4.90
2 75	2.04	Caltex Aust.	2.20
10 05	7.8	Coal Allied Ind	7.90
12 8	9.42	Coca Cola Amatil	10.55
8.5	7.12	Coles Myer	8.14
4.45	3 7	Comalco	3 85
1.15	0.73	Crusader	0.80
2.09	0 75	Dominion Mng	0 78
2.42	1 1	Elders IXL	1.46
3.95	2.56	Email	2.65
2.38	1.5	Energy Res	1.62
2.83	1.3	FAI Insurances	1.30
3.48	2.51	Fletcher Ch'lnge	2.53
2.9	2.48	Gen Prop Trust	2 63
1.93	1.19	Goodman Fielder	1.35
2.75	1.95	Hardie (J)	2.23
1.4	0 76	Highlands Gold	1.18
6.26	3.3	ICI Aust	3 35
2.25	0 95	Jennings Group	1.05
12.4	1.25	Jones (David)	1.30

AUSTRALIA (continued)

1990			Price
High	Low	November 16	Aust$
3.8	2.12	Kidston Gold	2.22
14 95	12.2	Lend Lease	13.95
2.62	1.85	MIM	1.97
6 8	5	Mayne Nickless	5.58
2.95	1.8	Metal Manuf	1.86
1	0.43	Minproc Hldgs	0.45
6.94	5.56	Nat.Aust. Bank	5.90
1.28	0 83	Newmont Aust.	0.95
14.85	4.39	News Corp	5.78
3.04	1.99	N Bkn Hill Peko	2.18
5.5	4.15	Pacific Dunlop	4.87
2.4	1.73	Pancont'l	1.73
2.5	1.51	Pasminco	1.58
2.66	1.66	Pioneer Intl.	1.92
3.85	2.58	Placer Pacific	3.40
3.12	1.4	Poseidon	1.60
1.6	1.2	QCT Resources	1.25
9 86	7	Renison Gldflds	7.14
11.2	7.5	Rothmans Aust.	10.20
2.8	2.2	SA Brewing	2.40
5.24	4.06	Santos	4.50
6.1	3.6	Smith (H)	4.05
2.1	1.78	Stockland Tst	1.86
2.97	1.54	TNT	1.64
4.4	2.6	Wesfarmers	2.79
6.86	4.09	Western Mining	4.16
2.45	1.92	Westfield Hldg	2.32
1.83	1.53	Westfield Tst	1.82
6.1	3.7	Westpac	3.98
3.5	2.7	Woodside Petrol	2.95
3.34	2.22	Wormald Intl	2.73

HONG KONG

1990			Price
High	Low	November 16	H.K.$
3.62	2.45	Amoy Props.	3.45
16	12.7	Bank East Asia	14.00
10.6	6.95	Cathay Pacific	7.10
14.3	9.4	Cheung Kong	12.40
15.9	11.9	China Light	15.90
29.3	21	China Motor	22.50
15 8	13.4	Cross H'bour Tnl	14.90
10.8	7.8	Dairy Farm Intl	10.20
2.05	1.17	Dao Heng Hldgs	1.37
4.1	2.52	Evergo	2.97
6.35	3.48	Hang Lung	5.45
22.7	16 5	Hang Seng Bank	21.70
9.4	6.6	Harbour Centre	7.35
2.5	1.69	Henderson Inv.	1.90
8.95	6.05	Henderson Land	8.15
22.4	13 8	HK Aircraft	14.00
12.8	8.9	HK China Gas	9.75
9 85	7.5	HK Electric	9.80
9.3	7.1	HK Land	7.70
5.3	4.2	HK Realty & Tr A	4.40
7	4.52	HK Shanghai Bank	4.60
5.45	3.7	HK Shanghai Hotels	4.22
6.8	5.2	HK Telecomms.	5.85
3 87	2.5	Hopewell Hldgs	3.15
13.2	7.95	Hutchison Wpa	11.40
1.44	1.06	Hysan Dev	1.16
11.9	7 45	Indust. Equity P	7.45
4.65	2.8	Jardine Int Mtr	2.95
37.25	22.9	Jardine Math	31.50
18 4	13.2	Jardine Strglc	16.10
7.05	5.3	Kowloon Motor	5.65
6.3	4.25	Mandarin Orient	4.65
12.7	7 85	New World Dev	8.00
7 8	5.75	Realty Dev A	6.60
16	12.2	SHK Props	14.60
5 05	3.52	Shaw Bros.	3.80
2.7	1.18	Shell Elec.Mfg	1.32
4.55	2.5	Sime Darby	3.65
2.97	1.74	Sun Hung Kai Co	1.82
22.4	14.1	Swire Pac A	15.00
3.8	2.5	Do. B	2.60
9.9	5.8	Tele B'cast	6.60
9 4	6.55	Wharf Hldgs	7.90
8 05	5.7	Wing On Co	6.75
9.2	6.8	Winsor Ind	7.00
4 72	3.02	World Intl Hldgs	3.82

MALAYSIA

1990			Price
High	Low	November 16	MYR
3.04	2.29	Boustead Hldgs	2.34
16.4	10.8	Genting	13.80
8 4	4.04	Hong Leong Cred	4 14
10.7	5.3	Malayan Banking	5.85
3.34	1.74	Malayan Utd Ind	1.82
1.82	0.92	Multi Purpose	1.01
2.4	1.3	Public Bank	1.33
4 88	3.5	Sime Darby	3 62

SINGAPORE

1990			Price
High	Low	November 16	S$
2.87	1.32	Cold Storage	2.01
13 9	8.5	DBS	9.00
10.4	6 4	Fraser & Neave	6.70
3.14	1.95	Haw Par Bros	1.96
6	3.58	Inchcape Bhd	3.74
8.15	4.78	Keppel Corp.	4.92
13.4	6.6	OCBC	7.50
5 9	3.82	OUB	4.32
21.8	12.6	S'pore Air Free	12.60
8.65	6 25	Singapore Press	6.95
3.92	2.35	Straits Trading	2.44
3.96	2.91	Tat Lee Bank	3 12
7.1	4.96	UOB	5.30

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) unavailable. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.
† Italian prices unavailable owing to industrial action on Milan bourse.

CANADA

TORONTO
Closing prices November 16

Quotations in cents unless marked $.

Sales	Stock	High	Low	Close	Chng
1897	Abitibi Pr	$13	13	13	
100	Acklands	$5½	5½	5½	
39100	Agnico E	$7	6⅞	7	+ ⅛
1435	Alberta En	$17⅛	17	17	− ¼
6234	Alberta N	$13	13	13	
311600	Alcan	$20⅜	20¼	20⅜	− ¼
99800	A Barrick	$21⅞	21⅜	21½	− ⅛
300	Atco I f	$10⅛	10⅛	10⅛	+ ⅛
311906	BCE Inc	$39⅛	38⅞	38⅞	+ ¼
30276	BCE D	14	12	12½	+ ½
287600	BCE Mobl	$17⅛	16⅞	17	− ½
1540	BC Sugar A	$14⅜	14	14⅜	+ ⅜
2550	BGR A	$8⅜	8¼	8⅜	+ ⅛
2000	BP Canada	$17	17	17	− ½
547014	Bk Montl	$28⅛	27⅞	28	
328528	Bk NScot	$11½	11⅛	11⅜	+ ⅛
144680	Belmoral	17	15	17	+ 1
312	Bombdr A	$15⅛	15⅜	15⅛	
22925	Bombdr B	$14⅛	14⅛	14⅛	+ ⅛
70816	Bow Valy	$15	14⅞	14⅞	+ ⅛
13300	Bramalea	$5⅝	5⅜	5⅜	+ ⅛
29480	Brascan A	$14⅝	14⅜	14⅜	− ¼
60250	Brkwatr	78	75	75	+ 1
8325	BC Phone	$18⅞	18⅝	18¾	− ¼
7134	Brunco	$18⅛	18⅛	18⅛	+ ⅛
154475	CAE	$5⅞	5⅜	5⅞	
3175	CCL B f	$7⅛	7⅛	7⅛	− ⅛
49500	CFCF	$8⅞	8½	8⅞	+ ⅛
3480	Cambior	$10⅝	10⅛	10⅜	+ ⅛
9500	Cambridg	$22⅞	22⅛	22⅛	
31500	Camp Res	42	40	40	− 5
420	Camp Soup	$20½	20	20	
121200	Campeau f	72	70	72	+ 1
6400	C Nor West	125	120	125	
4639	C Packrs	$9¾	9⅛	9⅛	− ⅛
2100	CS Pete f	320	280	320	+ 50
76634	C Exprss f	15	14	15	
285055	CI Bk Com	$24⅛	23⅝	24	+ ½
1600	C Marconi	$10⅛	10⅛	10⅛	
3900	C Ocdental	$15⅝	15	15⅝	+ ¼
1500	CP Forest	$27⅛	27⅛	27⅛	
330670	CP Ltd	$19⅛	18⅞	18⅞	
188	C Roxy	$7	7	7	+ ⅛
182708	CTire A f	$21⅞	21⅝	21⅝	
16914	CUtil A f	$20⅞	20½	20½	
100	CUtil B	$20⅞	20⅞	20⅞	+ ⅛
2500	Cantor	$22⅝	22⅜	22⅝	
23275	Cara	$14⅛	14	14	
40775	Cara A f	$13⅞	13½	13½	− ¼
38500	Carena	$9⅝	9⅛	9⅛	− ½
1500	Celanese	$31⅛	31⅛	31⅛	− ⅛
18572	CenCap A	380	380	380	+ 15
700	CentFd A	485	485	485	+ 10
2300	C Guar Trc	$8½	8⅛	8⅛	
35000	Charan	5	4	5	
5000	CHUM B f	$17¾	17¾	17¾	
122100	Cineplex	254	240	254	+ 14
3900	TCC Bev	$11	10⅞	10⅞	− ⅛
31063	Cominco	$20	19⅞	20	+ ¼
2301	Con TVX	$5	490	495	+ 5
11239	Cnsum Gas	$34	33⅞	34	+ ⅛
1420	Cnsum Pkg	$6⅝	6⅛	6⅛	+ ½
1113	Coswt B	$13⅛	13⅛	13⅛	− ½
2165	Corby A	$29⅛	29½	29⅛	+ ⅛
394365	Corona A f	$5⅛	495	5⅛	+ 25
300	Crownx	$5⅝	5⅝	5⅝	
59550	Crownx A f	275	265	270	− 10
3257	Denison A	70	65	70	+ 5
269	Denison B f	65	65	65	
5600	Dickson A f	440	440	440	− 5
57100	Dofasco	$18⅞	18⅛	18⅛	− ⅛
23354	D Textile	$5½	5	5	− ⅛
178230	Domtar	$10⅛	10	10⅛	
431	Du Pont A	$23½	23½	23½	+ ⅛
20600	Dylex A	270	260	270	+ 5
80	E-L Fin	$48½	48½	48½	
113300	Echo Bay	$12½	12	12⅛	− ⅛
50000	Emco	450	450	450	− 45
3300	EmpireA f	$9	9	9	
36300	EquitySv A	90	83	90	+ 5
200	FCA Intl	$7½	7½	7½	+ ⅛
300	FPI Ltd	480	480	480	− 10
81284	Fed Ind A	$7⅛	7	7⅛	− ⅛
19900	Finning L	$11	11	11	
10	FCity Fin	385	385	385	
5612	Fortis	$21⅛	21⅛	21⅛	+ ⅛
97300	FourSeasn f	$14⅛	14⅛	14⅛	+ ⅛
9000	Franco o	$15	14⅞	14⅞	
1697	GW Util	$36	35½	35½	− ½
15000	Galactic	170	165	165	
3300	Gandalf	330	330	330	
600	Gendis A	$19⅛	19⅛	19⅛	− ⅛
4240	Gienis	310	310	310	
14200	Goldcorp f	395	395	395	
17000	Gld Knight	$11	10⅞	11	+ ⅛
300	Grafton A f	275	275	275	
17400	Granges	155	155	155	
800	GL Group	$19⅛	19⅛	19⅛	
4400	GW Lfeco	$10⅛	10	10⅛	
5011	Greyhnd	$31	30	31	+ 1⅛
118030	Gulf Res	$12⅛	11⅞	11⅞	− ½
1000	Haley	280	280	280	− 10
500	Hawker	$20½	20½	20½	
51810	Hees Intl	$18⅛	18⅛	18⅛	+ ½
16560	Hemlo	$9⅛	9⅛	9⅛	+ ⅛
114400	Hollingr	$11⅛	11⅛	11⅛	+ ⅛
117000	Horsham f	$8⅝	8½	8⅝	+ ⅛
20	H BayMn s	$5⅛	5⅛	5⅛	
1091	H Bay Co	$17⅞	17⅞	17⅞	+ ⅛
114648	Imasco L	$27⅞	27⅛	27⅛	+ ⅛
92680	Imp Oil A	$61⅛	60⅞	61	+ ⅛
189189	Inco	$28⅞	28⅛	28⅛	+ ⅛
1900	Innopac	200	200	200	− 10
11259	Interhome	$48⅛	48	48⅛	
83100	Inv Grp	$23⅛	23⅛	23⅛	+ ⅛
2700	Ipsco	$16⅞	16⅞	16⅞	+ ⅛
705	Iveco A f	$7⅛	7⅛	7⅛	− ⅛
1400	Jannock	$12½	12½	12½	
5222	Kerr Add	$15¼	15¼	15¼	
9644	Labatt	$21½	21¼	21⅜	+ ¼
116875	Lac Mnrls	$7⅝	7½	7⅝	
273	Lafarge p	$13⅞	13⅞	13⅞	
6505	Laidlaw A	$21	20⅞	20⅞	
462004	Laidlw B f	$20⅞	20⅜	20½	+ ⅛
160	Lasr Gr B	$5⅝	5⅝	5⅝	+ ⅛
7300	LawsnM A	$9⅛	9	9	− ⅛
1200	Loblaw Co	$16⅞	16⅝	16⅞	+ ⅛
44200	MDS A	$14⅛	13⅞	13⅞	− ⅛
10845	Mac Kenzie	$5⅝	5⅝	5⅝	+ ⅛
285455	MacmBlo	$17	16⅞	16⅞	+ ⅛
11500	Magna A f	265	255	255	− 5
1700	MarlBroo f	$18	17⅞	17⅞	− ⅛
178800	Mark Res	$9⅛	9⅛	9⅛	
113600	Metall M	$11½	11⅛	11½	+ ⅛
350	Minnova	$16⅛	16⅛	16⅛	
14100	Mitel Corp	189	176	180	+ 1
25600	Molson A f	$32	31½	32	
134875	Moore	$27⅛	26⅞	27	+ ⅛
22250	Muscocho	9	9	9	+ 1
110350	Nat Bk Can	$7⅝	7½	7½	+ ⅛
1935	NewTel Ent	$16⅝	16½	16½	
31059	Noma A	430	420	425	
4200	Noranda F	$8⅛	8⅛	8⅛	+ ⅛
135380	Noranda	$15⅛	15	15⅛	+ ⅛
22198	Norcen	$25	24⅞	24⅞	− ⅛
3880	Norcen A f	$22⅛	22	22	− ⅛
3400	NC Oils	$14⅛	14⅛	14⅛	+ ⅛
162050	Nor Tel	$29⅛	29⅛	29⅛	+ ⅛
11600	Northgat	165	130	140	− 45
287277	Nova f	$8⅛	8⅛	8⅛	+ ⅛
1500	Nowsco W	$14⅛	14⅛	14½	
4700	Numac	$8⅛	8⅛	8⅛	− ⅛
66000	Ocelot B f	$5½	5⅛	5⅛	+ ⅛
504	Omega Hyd	340	325	340	+ 20
8600	Onex f	$6⅛	6⅛	6⅛	− ⅛
23320	Oshawa A f	$30½	30⅛	30½	+ ⅛
9369	PWA Corp	$7⅛	7⅛	7⅛	− ⅛
104710	Pgurin A f	$5⅞	5⅝	5⅝	− ⅛
50	Pamour	100	100	100	
6800	PanCan P	$31⅛	31⅛	31½	
29500	Pegasus	$11⅞	11⅛	11⅞	
5700	PJewl A f	$7⅛	7⅛	7⅛	
1536	Pioneer M	4½	4½	4½	+ ½
391255	Placer Dm	$16⅛	16	16⅛	+ ⅛
950	Poco Pet	$7⅞	7⅞	7⅞	
92000	Powr Cor f	$15⅛	15⅛	15⅛	+ ⅛
30000	Powr Fin	$17⅛	17½	17½	+ ⅛
46360	Provigo	$9⅛	9⅛	9⅛	
900	Quebcor A	$13⅛	13½	13½	+ ⅛
398800	Ranger	$8⅞	7⅞	7⅞	− ½
2000	Rayrock f	$7⅞	7⅞	7⅞	
3200	Rd Stenhs S	$26	25⅞	26	+ 1
61984	Renaissnce	$14⅞	14⅝	14⅞	+ ⅛
300	Repap f	$5⅛	5⅛	5⅛	− ⅛
1442	Rio Algom	$18⅛	18½	18½	− ⅛
173785	Rogers B f	$8⅛	8	8	− ⅛
1100	Rothman	$64½	63½	64½	+ 1
184108	Royal Bnk	$22⅛	21⅞	21⅞	− ⅛
160560	Ry Trco	$8⅞	8⅛	8⅛	+ ⅛
95200	SHL Syst	$5⅞	5⅛	5⅛	+ ⅛
18700	StL CemA f	$12	11⅞	12	+ ⅛
57628	Saskoil	$13⅛	13⅛	13⅛	+ ⅛
11605	Sceptre	385	375	375	− 5
2300	Schneider A	$16⅛	16⅛	16⅛	− ⅛
684	Scot Paper	$17	17	17	
122600	Scotts f	$13½	13½	13½	− ⅛
41610	Seagram	$94⅛	93⅞	93⅞	+ ⅛
116558	Sears Can	$10½	10⅛	10⅛	− ⅛
1000	ShawC B f	$8⅞	8⅛	8⅛	+ ⅛
11040	Shell Can	$37½	37⅛	37½	+ ⅛
1000	Sherritt	$5⅞	5⅞	5⅞	
61331	Southam	$17⅞	17⅞	17⅞	− ⅛
2200	Spar Aero f	$9⅛	9⅛	9⅛	− ⅛
46665	Stelco A	$11⅛	11⅛	11½	+ ⅛
249400	Teck B f	$21	20⅞	20⅞	+ ⅛
313048	ThomCor	$15⅛	15	15⅛	− ⅛
249783	Tor Dm Bk	$17	16⅞	16⅞	+ ⅛
800	Tor Sun	$17⅞	17⅞	17⅞	
4600	Torstar B f	$20⅛	20	20	− ⅛
57300	Total Pet	$23⅛	23⅛	23⅛	+ ⅛
181245	TrnAlta U	$12⅛	12⅞	12⅞	+ ⅛
700865	TrCan PL	$16⅛	16½	16⅛	+ ⅛
6225	Trilon A	$11⅞	11⅞	11⅞	
106667	Trimac	$7	6⅞	7	+ ⅛
55500	Trizec A f	$10⅞	10⅛	10⅞	+ ⅛
2405	Trizec B	$13	12⅞	12⅞	
540	Unicorp A	90	90	90	− 10
6000	Unigesco f	220	210	210	− 5
44275	Varity C	235	225	230	− 5
9550	Viceroy R	495	495	495	+ 15
200	Videotrn f	$11⅛	11⅛	11⅛	+ ⅛
55066	WIC B f	$11½	11½	11½	
3100	Wajax A	$7	6⅞	6⅞	+ ⅛
13520	Wst Fraser	$18½	18½	18½	
223464	Westcst E	$22	21⅞	21⅞	
25600	Weston	$39⅛	38½	38⅝	+ ⅛
2770	Woodwd A	127	125	127	+ 2

f—No voting rights or restricted voting rights.

MONTREAL
Closing prices November 16

Sales	Stock	High	Low	Close	Chng
500	BombrdrA	$15⅛	15⅛	15⅛	− ⅛
39665	BombrdrB	$14⅛	14⅛	14⅛	+ ⅛
500	Cambior	$10⅛	10⅛	10⅛	+ ⅛
3650	Cascades	$325	320	320	−05
108122	DomTxtA	$05½	05	05	− ⅛
300	Memotec	$07⅛	07⅛	07⅛	− ⅛
95480	NatBk Cda	$07⅛	07⅛	07½	
18119	Power Corp	$15⅛	15⅛	15⅛	
148778	Provigo	$09⅛	09⅛	09⅛	
700	Quebecr A	$13⅛	13	13½	+ ⅛
7575	Quebecr B	$12½	12⅛	12⅛	
200	Videotron	$11⅛	11⅛	11⅛	

Total Sales 3,813,643 shares.

INDICES

NEW YORK

DOW JONES	Nov. 16	Nov. 15	Nov. 14	Nov. 13	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
◆Industrials	2550.25	2545.05	2559.65	2535.40	2999.75 (16/7)	2365.10 (11/10)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	89.95	89.76	89.89	89.67	93.04 (3/1)	88.44 (24/9)	—	—
Transport	864.46	867.97	877.59	867.79	1212.77 (5/6)	821.93 (17/10)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	208.25	207.43	208.75	209.07	236.23 (2/1)	190.96 (24/8)	236.23 (2/1/90)	10.50 (8/4/32)

◆Day's High 2570.79 (2567.33) Low 2522.28 (2528.71)

STANDARD AND POOR'S	Nov. 16	Nov. 15	Nov. 14	Nov. 13	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	317.12	317.02	320.40	317.66	368.95 (16/7)	295.46 (11/10)	368.95 (16/7/90)	4.40 (1/6/32)
Industrials	371.23	371.23	375.22	371.69	437.37 (16/7)	346.86 (11/10)	437.37 (16/7/90)	3.62 (21/6/32)
Financial	22.23	22.23	22.53	22.24	31.87 (3/1)	18.80 (29/10)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	173.30	173.12	174.68	173.31	201.13 (16/7)	162.20 (11/10)	201.13 (16/7/90)	4.46 (25/4/42)
Amex Mkt. Value	297.52	296.69	297.87	295.56	382.45 (5/1)	288.07 (30/10)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	350.85	354.52	356.87	352.80	469.60 (16/7)	325.44 (16/10)	485.73 (9/10/89)	54.87 (31/10/72)

	Nov. 9	Nov. 2	Oct.26	year ago (approx.)
Dow Industrial Div. Yield	4.09	4.08	4.17	3.94

	Nov.14	Nov. 7	Oct.31	year ago (approx.)
S & P Industrial div. yield	3.39	3.56	3.54	2.97
S & P Indl. P/E ratio	15.47	14.48	14.43	14.25

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Am T & T	3,712,000	32	− 1⅛
Utd Telecom	2,833,500	22½	− 2⅞
Varity CP	2,608,300	2	− ⅛
Gen Motors	2,327,400	38⅞	− ⅞
IBM	2,269,700	113⅞	+ 1
Toys R US	2,237,300	22⅞	− ⅞
Ford Motor	2,195,200	27⅞	− ⅞
Gen Electric	2,096,800	55⅞	+ ⅞
Exxon	1,986,600	50⅞	+ ⅞
Phillip Morris	1,606,900	48⅞	− ⅛

TRADING ACTIVITY

† Volume Millions	Nov. 16	Nov. 15	Nov. 14
New York	166.804	151.370	180.740
Amex	9,144	10.207	10.397
NASDAQ	(u)	117.971	130.810
Issues Traded	1,991	1,970	1,990
Rises	775	593	1,001
Falls	699	899	521
Unchanged	517	478	468
New Highs	13	9	18
New Lows	32	28	46

CANADA

TORONTO	Nov. 16	Nov. 15	Nov. 14	Nov. 13	1990 HIGH	1990 LOW
Metals & Minerals	2549.00	2541.13	2568.91	2593.85	3453.05 (4/1)	2486.60 (8/11)
Composite	3128.51	3114.51	3127.64	3135.08	4009.47 (3/1)	3009.91 (16/10)
MONTREAL Portfolio	1676.30	1664.92	1676.49	1682.58	2060.90 (3/1)	1607.24 (16/10)

Base values of all Indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Nov. 16	Nov. 15	Nov. 14	Nov. 13	1990 HIGH	1990 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1339.9	1345.3	1345.2	1348.8	1713.7 (2/1)	1291.2 (2/11)
All Mining (1/1/80)	629.9	638.3	641.9	643.9	860.8 (5/1)	627.2 (2/11)
AUSTRIA						
Credit Aktien (30/12/84)	(u)	446.57	445.24	453.95	703.29 (19/3)	400.98 (25/9)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	5070.60	5074.62	5106.24	5140.75	6599.43 (12/1)	4959.99 (25/9)
DENMARK						
Copenhagen SE (3/1/83)	336.84	336.14	336.26	339.08	388.29 (20/7)	331.41 (27/9)
FINLAND						
Unitas General (1975)	407.8	406.5	405.3	408.0	677.3 (23/1)	398.9 (24/10)
FRANCE						
CAC General (31/12/82)	422.07	421.98	424.02	426.51	564.62 (30/5)	410.18 (26/9)
CAC 40 (31/12/87)	1612.10	1598.02	1599.13	1610.13	2129.32 (20/4)	1485.39 (25/9)
GERMANY						
FAZ Aktien (31/12/58)	621.26	615.55	609.41	616.98	832.32 (19/7)	569.69 (28/9)
Commerzbank (1/12/53)	1763.2	1747.8	1730.1	1753.1	2414.0 (3/4)	1628.7 (28/9)
DAX (30/12/87)	1425.68	1421.19	1406.23	1402.91	1968.55 (30/3)	1334.89 (28/9)
HONG KONG						
Hang Seng Bank (31/7/64)	3088.66	2990.47	3006.82	2998.97	3559.89 (23/7)	2738.24 (1/2)
IRELAND						
ISEQ Overall (4/1/88)	1205.36	1212.28	1208.09	1208.89	1893.10 (22/1)	1205.36 (16/11)
ITALY						
Banca Com. Ital. (1972)	(u)	518.61	528.62	532.40	763.52 (14/6)	518.61 (15/11)
JAPAN						
Nikkei (16/5/49)	23171.63	23487.48	23937.44	23973.67	38712.88 (4/1)	20221.86 (1/10)
Tokyo SE (Topix) (4/1/68)	1720.12	1745.87	1770.30	1773.02	2867.70 (4/1)	1523.43 (1/10)
2nd Section (4/1/68)	3108.21	3140.58	3150.30	3129.79	4477.16 (16/7)	2859.49 (1/10)
MALAYSIA						
KLSE Composite (4/4/86)	471.34	471.67	472.85	472.20	632.22 (1/8)	459.08 (28/9)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	226.1	226.9	226.7	227.7	271.9 (28/7)	225.6 (8/11)
CBS All Shr (End 1983)	165.7	166.3	166.2	166.9	206.3 (3/1)	165.6 (8/11)
NORWAY						
Oslo SE (Ind) (2/1/83)	678.75	688.75	693.54	706.93	915.13 (2/8)	678.75 (16/11)
PHILIPPINES						
Manila Comp (2/1/85)	645.82	647.54	614.58	618.11	1160.70 (21/3)	514.88 (5/10)
SINGAPORE						
SES All-Singapore (2/4/75)	310.23	310.77	311.35	310.87	446.87 (16/7)	301.45 (11/10)
SOUTH AFRICA						
JSE Gold (28/9/78)	1259.0	1254.0	1315.0	1323.0	2230.0 (16/1)	1254.0 (15/11)
JSE Industrial (28/9/78)	2725.0	2719.0	2730.0	2713.0	3211.0 (6/2)	2640.0 (1/10)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	697.46	701.45	704.09	710.06	928.82 (4/1)	566.27 (17/9)
SPAIN						
Madrid SE (30/12/85)	231.64	231.20	230.73	231.70	309.74 (16/7)	209.37 (28/9)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	866.3	862.8	862.5	874.7	1329.9 (5/7)	858.2 (9/11)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	633.0	641.7	645.3	647.4	845.5 (13/7)	613.4 (28/9)
SBC General (1/4/87)	519.8	523.9	525.6	527.8	698.2 (13/7)	512.4 (28/9)
TAIWAN**						
Weighted Price (30/6/66)	3845.82	3962.85	3850.27	3739.05	12495.34 (10/2)	2560.47 (1/10)
THAILAND						
Bangkok SET (30/4/75)	656.91	655.84	652.13	659.37	1143.78 (25/7)	613.95 (25/9)
WORLD						
M.S. Capital Intl.(1/1/70) (§)	459.0*	460.3	463.2	464.5	571.8 (4/1)	423.1 (28/9)

**Saturday November 10: Taiwan Weighted Price: 3502.82 Korea Comp Ex. 697.59
*Calculated at 15.00 GMT.
§ Subject to official recalculation.
Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX — 1,000, JSE Gold — 255.7, JSE Industrials — 264.3 and Australia All Ordinary and Mining — 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Friday 16 November 1990

	Stocks Traded	Closing Prices	Change on day
Kyosan Elec	16.0m	1,830	+120
Itoman Co	8.6m	645	+40
Nissan Motor	5.8m	705	-20
Honshu Paper	5.1m	2,820	+10
Nippon Steel	5.1m	400	-5
N'matsu Cnstrn	5.0m	1,360	+30
M'bishi Heavy	3.7m	652	-18
Tokyu Cnstrn	3.3m	1,190	+50
Yamazen	3.2m	1,480	+40
Kurabo Inds	3.2m	1,350	+40

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AUTHORISED UNIT TRUSTS

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
(Accum Units) F	5	330 1	335 4	356 8	7 20	46918
Uk Growth F	5	258.4	263 4xd	280 2	4 71	40888
(Accum Units) F	5	301 1	307 0	326.5	4 71	46919
Int Equity Gth F	5	42.56	42 81xd	45 54	1 80	40889
Intl Bond F	5	46.56	46.5xd	48 94	8 55	40890
Special Sits F	5	30 42	22 41	23.83	1 90	40891
North American F	5	46 44	46 76	49 74	1 47	40892
European Growth F	6	41 73	42.03xd	44.71	2.97	48104
Maldon Unit Trust Managers Ltd (1400)F						
15 St Botolph St, London EC3A 7EE				031 226 6066		
Maldon General	5	92.16	92.16	95 20	6.12	46659
ManuLife Group PLC (1200)H						
St George's Way, Stevenage				Dealings: 071-256 5858		
Growth Units	5¼	110 7	110 7	117 7	5.32	40905
Gilt & Fxd Int	5	129 7	129.7	136 4	9.41	40904
Intl Growth	5¼	112.3	112.3	119 4	0.47	40908
North American ♥	5¼	65 47	65.47	69 64	0.17	40910
Far East	5¼	92.51	92.51	98 41	0 00	40911
UK Smaller Cos	5¼	94 69	98.51	104 8	4.41	40909
European	5¼	49.28	49.28	52 42	1.35	40912
Japanese Growth	5¼	31.43	31 43	33 42	0 00	47786
Managed P'folio	5¼	40.44	40 44	43 02	1 99	47787
High Income	5¼	128.0	128.0xd	136 1	7.89	40906
High Yielding Gilt	5¼	60.39	60.39xd	63.63	10 88	40907
Marks & Spencer Unit Trust Ltd (1200)F						
PO Box 410, Chester X, CH99 9GG				0244 680066		
M & S Inv P'folio	5½	95 78	95 78	102 4	2 93	46595
Do Accum	5½	99.55	99 55	106 4	2 93	46596
UK Sel P'folio	5½	84 08	84.08	89.92	3 89	47804
Do Accum	5½	85.62	85 62	91 57	3 89	47805
Marlborough Managed Trust (1630)F						
57 Victoria Square, Bolton, BL1 1LA				0204 364842		
Managed Tst	5	46 03	46.32	49 27	5 27	46889
Martin Currie Unit Trusts Ltd (0905)H						
48 Melville St, Edinburgh EH3 7HF				Dlng.031-220 4924		
Far East (Pacific)	5¼	78.38	79 03	83 89	0.50	41357
Income & Growth	5¼	50.11	50.11xd	53 19	6.47	41358
European (z)	5¼	50.59	50.59	53.70	1 09	41359
Nth American (z)	5¼	28 86	29.08	30 87	1 70	41360
Intl Growth(9-1)	5¼	49 62	50 67xd	53.78	0 94	41361
UK Growth	5¼	43 18	43.18xd	45 83	3 78	41362
Intl Income	5¼	42.08	42.57	45.19	6 66	46966
High Yield	5¼	39.65	40.25xd	42.72	8.15	46466
Charities	5¼	76.50	77 82xd	82 61	7.40	46463
Japan	5¼	34.39	34.39	36.50	-	47589
Matheson Unit Trust Managers Ltd (1200)H						
Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex						
Enquiries: 0277 227300				Dealing 0277 261010		
SE Asia	6	39.48	39 48	42.22	2 70	46498
UK Growth 7(4-1)	6	56.74	56 74	60 68	4 07	46355
UK High Income	6	29 89	29 89	31.97	6.32	46356
Mayflower Management Co Ltd (1200)F						
PO Box 249, Beckenham, Kent BR8 4WA				081-663 3111		
Income	5	292.2	292.2	310.8	5 80	40913
Global Inc	5	41.50	41.50	44 15	5 48	40916
Brit Leaders	5	233.4	233 4	248 3	4 44	40914
Intl Leaders	5	120 9	120 9	128 6	3 20	40915
Medical Investments Ltd (1100)F						
1 White Hart Yard, London SE1 1NX				071-407 5966		
Health Fund	5½	43.96	43 96	48 11	34	40917
Mercury Fund Managers Ltd (1000)H						
33 King William St, EC4R 9AS				071-280 2060		
American Growth	5	105 1	105.4xd	112.5	0.44	40918
(Accum Units)	5	112.2	112 7xd	120 2	0.44	40919
American Income	5	30 72	30 72xd	32 65	9 15	40920
(Accum Units)	5	41.02	41 02xd	43.60	9.15	40921
American Sm Cos	5	38.21	38.21xd	40 76	0 00	40922
(Accum Units)	5	38 73	38 73xd	41 32	0.00	40923
British Blue Chip	5	50 45	50.55xd	53.92	3.29	40924
(Accum Units)	5	55.58	55 70xd	59 41	3 29	40925
Cash *	0	101.8	101 9xd	101.9	14.30	46004
(Accum Units) *	0	107 2	107.3xd	107.3	14.30	46003
European Growth	5	151 0	151 0	160 4	1.05	40926
(Accum Units)	5	160 2	160.2	170.3	1.05	40927
European Income	5	63 02	63.02	66 92	4.87	40928
(Accum Units)	5	73 50	73.50	78 05	4 87	40929

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
UK Equity Acc	5¼	111 1	111 1xd	119 8	4.80	41047
UK Ind Tracker Inc	5	99 66	99.66	106 6	4.59	46656
UK Ind Tracker Acc	5	105.0	105.0	112 3	4.59	46655
US Eq Ind Tracker Inc	5	103 0	103 0	109 3	3 60	46658
US Eq Ind Tracker Acc	5	105 7	105.7	112.2	3 60	46657
Japan Tracker	5	52.08	52 08xd	55 22	0 00	46921
Asian Trader	5¼	63 13	63 13xd	67 50	1.70	40109
Managed Inc	5¼	82.26	82.26	88.45	2.55	46922
Managed Acc	5¼	82.82	82.82	89.05	2.55	46923
Cash Inc	0	102.67	102.67	102.67	14 42	44556
Cash Acc	0	102 67	102.67	102.67	14 42	44555
Europa	5¼	94 24	94.24	100 1	0.00	43122
Geoffrey Morley Unit Mgrs Ltd (1200)F						
4 Temple Place London WC2R 3HP				071-836 7766		
Exempt Unit Tst	4	95 30	96 10	101.9	2 60	41052
Exempt Smllr Cos	3¼	213 9	224 7	238 2	1.40	41053
Murray Johnstone UT Mgmt (1600)H						
7 West Nile St, Glasgow G2 2PX				0345 090 933		
Acumen	5	55.88	56 43	60.23	3 86	46527
Acumen Reserve	5	60 43	60 43	63 44	11.37	46528
American Income	5	94 85	94.85	100.5	4.29	41056
Equity Income	5	71 00	71.00	75 79	6.55	41057
European	5	48 27	48.27	51.32	1.59	41058
Far Eastern	5	87.23	87 23	92.63	2 02	41059
Smaller Cos	5	37.24	37 24xd	39.75	5.22	41060
Olympiad	5¼	36.67	36 67	39.06	1 31	41061
Olympiad Income	5¼	34 24	34.24xd	36 40	4.85	41062
UK Growth	5	59.36	60.28	64.34	1.55	41063
NFU Mutual Unit Mngrs Ltd (1400)F						
Admin. 5 Rayleigh Road, Hutton, Brentwood, Essex						
Enquiries 0277 227300				Dealing 0277 261010		
Avon Equity	6	76.92	78.29	83.29	4.55	41071
NM Unit Trust Mngrs (1200)H						
The Bilton Centre, North Harbour, Portsmouth						
Enquiries 0705 372222				Dealing: 0705 387730		
American ♥	5¼	24.26	24 26xd	25 87	1 97	41072
(Accum Units) ♥	5¼	26.12	26.12	27 86	1 97	41073
Australian ♥	5¼	136 90	136.90	146 50	2.45	41074
(Accum Units) ♥	5¼	154 70	156.40	166.70	2.45	41075
Conscience	5¼	40.61	41 44	44.22	1.76	41876
(Accum Units)	5¼	42 09	42 94	45.82	1.76	41877
European	5¼	129 00	129 00xd	137 60	1 13	41078
(Accum Units)	5¼	135 60	135.60	144 60	1 13	41079
Extra Income	5¼	55.84	55.84	59 59	10.25	41080
(Accum Units)	5¼	74 11	74.11	79 09	10 25	41081
Far East Gth Acc ♥	5¼	102.30	102.30xd	109 30	0.28	41082
Gilt & F.I	5¼	49.00	49.02	51 87	9.66	41083
(Accum Units)	5¼	99.64	99.64	105 40	9.66	41084
Gold ♥	5¼	26 99	27 32xd	29.37	0.00	41085
(Accum Units) ♥	5¼	29 07	29 42	31.63	0.00	41086
Income	5¼	41 40	41 40	44.16	8.30	41087
(Accum Units)	5¼	109 20	109 20	116 40	8.30	41088
Intnl.	5¼	21 08	21.08xd	22.61	0.49	41089
(Accum Units)	5¼	29 87	29.87	32 04	0 49	41090
Jap Smaller Cos ♥	5¼	314.30	314.30	335.20	0.00	41091
Sing & Malaysian ♥	5¼	79.41	79 41	85.15	0.00	41092
(Accum Units) ♥	5¼	82 75	82.75	88 73	0.00	41093
Smaller Co's	5¼	23.27	23.27	25.02	1 76	41094
(Accum Units)	5¼	25 69	25.69	27 62	1.76	41095
Special Sits	5¼	22.30	22.30xd	23.97	1.08	41096
(Accum Units)	5¼	24.28	24.28	26.10	1.08	41097
Tokyo ♥	5¼	62.84	62.84	67.02	0 00	41098
(Accum Units) ♥	5¼	63 48	63.48	67 71	0 00	41099
UK Equity	5¼	114.50	114.50	122.10	5.00	41100
(Accum Units)	5¼	197 40	197 40	210.50	5 00	41101
US Smaller Cos ♥	5¼	37 63	37 63xd	40.24	0 00	41102
National Provident Inv Mgrs Ltd (1400)H						
48 Gracechurch St, EC3P 3HH				071-623 4200		
NPI American Acc ♥	5	56 71	56 78	60 40	1.68	41103
NPI American Dist ♥	5	53.36	53 41	56 82	1 68	46640
NPI European Acc	5	63 49	64 10	68 19	0 67	41104
NPI European Dist	5	62.50	63.10xd	67 13	0.67	46661
NPI Far East Acc ♥	5	91.72	92.12	98.00	0.30	41105
NPI Far East Dist ♥	5	91 07	91.46	97.30	0 30	46662
NPI O'seas Acc	5	744.3	748.8	796.6	1.37	41107
NPI O'seas Dist	5	582.0	585.5	622 9	1.37	41106
NPI UK Acc	5	404.3	407 9	433 9	5 04	41109
NPI UK Dist	5	224 6	226.6xd	241.1	5.04	41108
NPI W'wide Acc	5	59.05	60.08	63.92	0.57	41110
NPI W'wide Dist	5	56.81	57 80xd	61.49	0 57	46663

2 Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH
Tel: 071 – 379 – 0444.

FT MANAGED FUNDS SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 44p per minute peak and 33p off peak, inc VAT

Target Trust Mngrs Ltd (1600)F

Target Hse, Gatehouse Rd, Aylesbury, Bucks
Admin: 0296 394000 Dealing 0296 312156

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
American Eagle	5	58.04	58.04	61.94	1.24	41482
Australia	5	5.233	5.233	5.601	4.76	41483
Equity	5	137.6	137.6	147.7	5.21	41486
Euro Spec Sits	5	97.11	97.11	104.6	0.66	41487
Financial	5	24.50	24.50	26.35	5.67	41488
Global Opps Inc	5	56.02	56.02xd	60.22	0.00	41489
Global Opps Acc	5	57.24	57.24	61.52	0.00	41490
Gold & Gen Inc	5	33.82	33.82xd	36.34	1.10	41491
Gold & Gen Acc	5	63.23	63.23	67.93	1.10	41492
Income	5	86.45	86.45	92.91	6.89	41493
Japan & General	5	107.9	107.9	116.0	0.00	41494
Preference Share	5	17.31	17.31xd	18.61	14.26	41497
UK Capital	5	75.48	75.48	81.11	4.31	41500
World Income	5	51.99	51.99xd	55.87	6.32	41501
Worldwide Capital	5	143.6	143.6	154.4	3.54	41502

Templeton Unit Trust Managers Ltd (1200)F

Atholl Crescent, Edinburgh EH3 8HA 031 228 3932

Global Growth Acc	6	91.10	91.87	98.26	3.65	46671
Global Growth Inc	6	87.53	88.27	94.41	3.65	46672
Global Balanced Acc	6	92.56	93.04	99.51	4.84	46669
Global Balanced Inc	6	86.23	86.68	92.71	4.84	46670
Value Tst Acc	6½	66.65	67.71	72.41	4.74	42642
Value Tst Inc	6½	64.98	66.02	70.60	4.74	46990
Intl Pen & Ch Inc	2	85.18	86.46	90.78	4.00	46989
Intl Pen & Ch Acc	2	82.20	83.44	87.60	4.00	41585

Thornhill Unit Trust Managers Ltd (1200)F

28 St John's Sq, London EC1M 4AE 071-251 6767

Capital	5	44.76	45.04	47.91	–	47874
Overseas	5	39.57	39.71	42.24	–	43776

Thornton Unit Managers Ltd (1000)F

33 Cavendish Sq., London W1M 0DH 071-493 7262

Murray Johnstone UT Mngmt

Murray Exempt Funds

	Bid Price	Offer Price	Yield Gross	City-line
Amer Expt Nov 13	37.2	38.6	2.81	41064
Euro Expt Nov 13	47.9	50.2	2.55	41065
Fixed Int Ex Nov 13	44.1	45.2	10.54	46594
Japan Expt Nov 13	40.4	42.1	0.87	41066
Managed Ex Nov 14	36.5	37.9xd	5.48	41067
SE Asia Expt Nov 13	54.3	56.9xd	4.79	41068
Sm Cos Expt Nov 13	28.0	29.4xd	5.23	41069
UK Eqty Ex Nov 13	35.2	36.9	5.46	41070

Phillips & Drew Fund Management Ltd

Small Co's Nov 6	589.8	632.3xd	5.89	41138
Do Accum	656.0	703.2	5.89	41139
Int Expt Nov 7	144.3	146.5	4.7	41140
UK Index Nov 6	960.6	982.0	6.06	46945
Do Accum	1016	1037	6.06	46946
Convertible Nov 12	77.13	79.77	10.10	46938
World ex UK Index Nov 12	632.9	641.4	2.16	47887
Do Accum	639.13	647.71	2.16	47888
Japan Index Nov 12	506.10	513.50	0.55	47881
Do Accum	507.1	514.4	0.55	47882
USA Index Nov 12	735.5	740.2	3.53	47885
Do Accum	745.9	750.5	3.53	47886
Europe ex UK Index Nov 12	782.8	802.1	3.13	47879
Do Accum	795.0	814.5	3.13	47880
Pacific ex Jap Index Nov 12	709.1	729.7	5.52	47883
Do Accum	722.5	743.4	5.52	47884
Managed Exempt Nov 11	88.1	89.74	5.98	40338
American Exempt Nov 14	98.97	100.5	4.54	40574
European Exempt Nov 14	101.5	102.8	5.00	40628
Japan Exempt Nov 14	102.1	103.3	2.01	40635
Pacific Basin Nov 7	96.46	98.76	5.05	40636

NM Rothschild Asset Management Ltd

NC Managed	51.6	54.9xd	4.32	40339

INSURANCES

OTHER UK UNIT TRUSTS

Clerical Medical/Fidelity Investments – Contd.

	Bid Price	Offer Price	Yield Gross	City-line
Cash	148.5	156.4	–	41957
North American	102.9	108.4	–	41958
Far East	171.4	180.5	–	41959
International	130.6	137.5	–	41960
Special Situations	188.0	197.9	–	41961
International Income	180.4	189.9	–	41962
American Income	98.9	104.2	–	41963
European	208.8	219.8	–	41964
South East Asia Fund	149.9	157.8	–	41965
Japan Fund	105.2	110.8	–	41966
Evergreen	77.2	81.3	–	46005
Homeinvestor W-P Reg	118.4	124.6	–	46305
Homeinvestor W-P Spec	118.4	124.6	–	46306

Equity & Law

Amersham Road, High Wycombe 0494 463463

	Bid Price	Offer Price	Yield Gross	City-line
Reserve	106.2	111.7	–	47039
Balanced (Mixed)	433.9	456.7	–	42233
Opportunity	90.5	95.2	–	47040
UK Equities	586.2	617.0	–	42223
Higher Income	594.4	625.6	–	42224
Nth America	185.0	194.7	–	42229
Far East	308.8	325.0	–	42230
Europe	272.4	286.7	–	42231
International	308.8	325.0	–	42232
Property	444.8	468.2	–	42225

Hearts of Oak Insurance Group

84 Kingsway, London WC2B 6NF 071-404 0393

	Bid Price	Offer Price	Yield Gross	City-line
HOBS Prop Fund	63.9	66.4	–	42472
HOBS Prop Pen Fund	63.9	66.4	–	46381
HOBS Managed Fund	212.3	225.6	–	42473
HOBS Pen Man Fund	160.2	168.6	–	42474
HOBS Tax Exempt Fund	106.1	112.4	–	42475
HOBS P.P. Man Fund	107.0	112.6	–	46382
HOBS Agg Man Fund	52.4	55.1	–	46383
LANMAS Equity Fd	116.9	124.1	–	42765
LANMAS Intl	41.9	44.5	–	47053
LANMAS Deposit	53.2	56.5	–	47054
LANMAS Equity Ser 2	43.2	45.8	–	47055

The Life Association of Scotland

113 Dundas St, Edinburgh EH3 5EB 031-550 5000

LAS Investment Assurance

	Bid Price	Offer Price	Yield Gross	City-line
Managed Fund	211.8	222.9	–	42674
UK Equity	362.5	381.6	–	42675
Property	274.5	289.0	–	42676
Money Market	202.5	213.2	–	42677
Fixed Interest	225.2	237.1	–	42678
Japan	271.3	285.6	–	42680
North America	86.8	91.4	–	42681
International	165.1	173.8	–	42682
European	162.2	170.8	–	42684
Far East	72.8	76.6	–	42685
Special Situations	71.7	75.5	–	42687

Merchant Investors Assurance Co Ltd – Contd.

	Bid Price	Offer Price	Yield Gross	City-line
MI Gar British Grth	184.5		–	42970
MI Gar Special Sits	108.4		–	46015
MI Gar Smaller Co's	134.2		–	42973
MI Gar Australian	57.6		–	42974
MI Gar Int Sel Opps	84.1		–	46736
MI Gar UK & Int Rec	76.9		–	46741
MI Gar Euro Sel Opps	116.0		–	46726
MI Gar Am Emer Grth	89.0		–	46731
MI Gar Prac Invmnt	97.2		–	46740
MI Gar Extra Income	94.3		–	46725
MI Gar Pref Share	82.0		–	46727
MI Gar High Income	93.2		–	46732
MI Gar Int Fixed Int	98.1		–	46735

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National Provident Institution
48 Gracechurch St, London EC3P 3HH 071-623 4200

	Bid Price	Offer Price	Yield Gross	City-line
Managed	300.9	316.8	–	43163
UK Equity	375.1	394.9	–	43163
Overseas Eq.	286.0	301.1	–	43164
American	211.1	222.3	–	43165
Far East	296.4	312.1	–	43166
Property	192.5	202.7	–	43167
Fixed Int.	233.7	246.1	–	43168
Indexed Gilt	147.4	155.2	–	43169
Deposit	172.4	181.5	–	43170
Pension Fund (Accum Units)				43171
Managed	415.9	437.8	–	43173
UK Equity	476.8	501.9	–	43175
Overseas Eq.	470.2	495.0	–	43177
Americas	278.4	293.1	–	43179
Far East	494.1	520.2	–	43181
Property	239.2	251.8	–	43183
Fixed Int.	284.0	299.0	–	43185
Indexed Gilt	162.0	170.6	–	43187
Deposit	237.2	249.7	–	43189
NPI Pensions Management Ltd				
Managed Fund	928.8	945.4	–	43190

Prices Nov 1. Next dealing Dec 3

Norwich Union Asset Management Ltd
PO Box 140, Norwich NR3 1PP 0603 686787

	Bid Price	Offer Price	Yield Gross	City-line
NUAM Funds				
Managed Fund	60.6	63.8	–	43191
Stock Market Mngd Fund	56.9	59.9	–	43192
Equity Fund	64.7	68.1	–	43193
International Fund	50.3	52.9	–	43194
European Fund	61.2	64.4	–	43195
North American Fund	48.6	51.1	–	43196
Pacific Fund	50.2	52.8	–	43197
Property Fund	86.7	91.3	–	43198
Fixed Interest Fund	52.4	55.7	–	43199
Index linked Sec Fund	59.9	63.0	–	43200
Deposit Fund	66.1	69.6	–	43201
NUAM Retirement Plans				
Mixed Fund	46.8	49.3	–	43202
UK Ordinary Share Fd.	74.7	78.6	–	43203
International Fund	54.7	57.6	–	43204

Providence Capital Life Assc. Co Ltd – Contd.

	Bid Price	Offer Price	Yield Gross	City-line
Total Investment Bond				
UK Equity Initial	129.6		–	[illegible]
UK Fixed Int Initial	107.6		–	[illegible]
Intl Equities Initial	101.7		–	[illegible]
UK Managed Initial	104.6		–	[illegible]
Property Initial	164.3		–	[illegible]
Money Initial	84.5		–	[illegible]
Special Market Initial	93.3		–	[illegible]
Japan Equity Initial	70.9		–	[illegible]
North American Initial	62.6		–	[illegible]
Pacific Initial	58.2		–	[illegible]
Technology Initial	83.6		–	[illegible]
Nat Resources Initial	41.5		–	[illegible]
European Initial	82.0		–	[illegible]
Residential Prop Init	93.7		–	[illegible]
Swiss Equities Initial	30.1		–	[illegible]
Hong Kong Initial	49.7		–	[illegible]
UK High Inc Eq Init	58.3		–	[illegible]
Int. Fixed Interest Init	49.6		–	[illegible]
Int. Managed Init	49.0		–	[illegible]
HIP Managed Init	94.5		–	[illegible]
HIP Managed II Initial	84.3		–	[illegible]
Broker Funds				
High Performance	61.0	64.3	–	[illegible]
TowerhilK Mngd Fd Acc	32.3	34.0	–	[illegible]
YRA Executive Fd.	82.0	86.4	–	[illegible]
£ Global Growth Acc	109.6	115.6	–	[illegible]
£ High Income Money Acc	132.9	140.1	–	[illegible]
HM Balanced	49.9		–	[illegible]
K.F. Speculator Fd	113.5		–	[illegible]
PEP Accum IL	102.5		–	[illegible]
PEP Cautionary	67.0		–	[illegible]
AAFS Int. Man Fund	107.4		–	[illegible]
Andrews-Green Inv Port	74.7		–	[illegible]
Individual Pension Funds				
UK Equity Acc	204.7	216.0	–	[illegible]
UK Fixed Interest Acc	195.6	206.4	–	[illegible]
Intl Equities Acc	189.9	200.4	–	[illegible]
UK Managed Acc	164.5	173.5	–	[illegible]
Property Acc	209.5	221.0	–	[illegible]

Sun Alliance International Life
PO Box 77, New St, St Peter Port, Guernsey 0481 714108

	Bid Price	Offer Price	Yield Gross	City-line
North American Equity $	$7.99	8.61	–	45824
Pacific Equity $	$7 42	7 99	–	45825
Intl Currency $	$4 24	4.57	–	45826
Intl Bond Fund $	$6.89	7 42	–	45827
Gilt Fund £	£3 96	4.27	–	45828
US Dollar Mngd Fd $	$1.61	1 73	–	45829
Stlg Managed Fd £	£0 98	1 05	–	46829

Target International Group
1 rue Emile Blan, Luxembourg Tlx 2809 Tel 4050751

J. D. Ward Financial Services Ltd
9 Kingsway, London, WC2 86XF. 01-836 4321

	Bid Price	Offer Price	Yield Gross	City-line
Target Mngd Bond	182 7	192.4	–	44591
Target Mngd Pension	111.3	117 2	–	44592
Albany Life Acc	164.3	172.9	–	41721
Albany Pens Acc	202.8	213.4	–	41722

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

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ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

هكذا من الاصل

CURRENCIES, MONEY AND CAPITAL MARKETS

MONEY MARKETS

The moving floor

STERLING'S moving D-Mark floor has probably enabled the Bank of England to limit its support for the pound, despite a poor performance since becoming a full member of the European Monetary System.

The pound has fallen sharply from DM3.05 when it entered the ERM on October 8, but has not yet come under any strong pressure.

UK clearing bank base lending rate 14 per cent from October 8, 1990

The key to keeping pressure off the pound at present is the relationship between the strongest member of the system (the Spanish peseta) and the currency that all central banks use as the critical guide (the D-Mark). The D-Mark has gained ground against sterling over the last six weeks, but it has also improved against the peseta, and this has worked to the pound's advantage.

Sterling's floor against the peseta has been a constant Pta180.59, but its minimum allowed limit against the D-Mark has fallen. This can be calculated by taking 180.59 and dividing it by the cross rate between the peseta and D-Mark. This was Pta62.85 on October 8, giving sterling a D-Mark floor of around DM2.8725. By the end of last week the D-Mark had climbed to Pta63.72, bringing the pound's minimum allowed level against the German currency down to about DM2.8350. Sterling closed at DM2.8900 on Friday, which would have been uncomfortably close to its allowed base when it joined the ERM, but was reasonably above its present floor.

A further tightening of German monetary policy could cause problems if this takes the D-Mark to the top of the ERM. Sterling will then be able to fall to DM2.7783 before intervention is required, but its recent performance and domestic political uncertainty suggest that this is quite possible.

£ IN NEW YORK

Nov.16	Close	Previous Close
£ Spot	1.9657-1.9667	1.9570-1.9580
1 month	0.98-0.97pm	0.99-0.98pm
3 months	2.67-2.64pm	2.71-2.68pm
12 months	8.10-8.00pm	8.17-8.07pm

Forward premiums and discounts apply to the US dollar

CURRENCY MOVEMENTS

Nov.16	Bank of England Index	Morgan** Guaranty Changes %
Sterling	93.8	-19.1
US Dollar	60.0	-19.5
Canadian Dollar	100.8	+1.9
Austrian Schilling	110.8	+12.5
Belgian Franc	112.5	-1.3
Danish Krone	111.5	+5.5
D-Mark	120.8	+26.4
Swiss Franc	116.0	+24.2

POUND SPOT - FORWARD AGAINST THE POUND

Nov 16	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.9550 - 1.9690	1.9655 - 1.9665	0.99-0.97cpm	5.98	2.69-2.66pm	5.44
Canada	2.2795 - 2.2910	2.2860 - 2.2870	0.34-0.27cpm	1.60	0.99-0.80pm	1.57
Netherlands	3.25½ - 3.27	3.35¾ - 3.36¾	1½-1⅜cpm	5.13	3⅝-3⅜pm	4.39
Belgium	59.50 - 59.90	59.60 - 59.70	29-23cpm	5.23	70-61pm	4.39
Denmark	11.07½ - 11.14½	11.08¾ - 11.09¾	4-3¼orepm	3.92	9-7¼pm	3.02
Ireland	1.0760 - 1.0860	1.0815 - 1.0825	0.32-0.28cpm	3.33	0.92-0.79pm	3.16
Germany	2.88¾ - 2.90	2.88¾ - 2.89¾	1⅜-1¼pfpm	5.45	3¼-3⅛pm	4.41
Portugal	254.20 - 256.10	254.35 - 255.35	22-44cdis	-1.55	96-157dis	-1.99
Spain	183.80 - 185.20	184.00 - 184.30	4-12cdis	-0.52	33-44dis	-0.84
Italy	2181¼ - 2188	2180¾ - 2181¾	2½-1lirepm	1.00	9-6½pm	1.42
Norway	11.31½ - 11.36	11.31½ - 11.32½	2¾-2orepm	2.58	7-5½pm	2.21
France	9.75¼ - 9.78¾	9.76 - 9.77	3⅝-3¼cpm	4.07	8⅝-8¼pm	3.46
Sweden	10.86¼ - 10.91	10.87¼ - 10.88¼	¼-1¼oredis	-0.83	3-4¼dis	-1.42
Japan	253¼ - 256	254 - 255	1¼-1⅛ypm	5.60	3½-3¼pm	5.21
Austria	20.31 - 20.39	20.31 - 20.34	9½-8⅜gropm	5.35	24¾-22½pm	4.66
Switzerland	2.44¼ - 2.45½	2.44¼ - 2.45¼	1⅛-1cpm	5.21	3-2¾pm	4.80
Ecu	1.4045 - 1.4115	1.4055 - 1.4065	0.48-0.45cpm	3.97	1.18-1.13pm	3.29

Commercial rates taken towards the end of London trading. Six-month forward dollar 4.79-4.74cpm. 12 Month 8.15-8.05cpm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Nov 16	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.9550 - 1.9690	1.9655 - 1.9665	0.99-0.97cpm	5.98	2.69-2.66pm	5.44
Ireland†	1.8100 - 1.8245	1.8235 - 1.8245	0.39-0.34cpm	2.40	1.22-1.12pm	2.57
Canada	1.1610 - 1.1660	1.1630 - 1.1640	0.42-0.44cdis	-4.43	1.14-1.18dis	-3.99
Netherlands	1.6550 - 1.6700	1.6585 - 1.6595	0.07-0.10cdis	-0.61	0.35-0.39dis	-0.89
Belgium	30.30 - 30.55	30.30 - 30.40	1-3cdis	-0.79	6-10dis	-1.05
Denmark	5.64 - 5.69	5.64 - 5.64½	0.92-1.12oredis	-2.17	3.15-3.75dis	-2.45
Germany	1.4660 - 1.4805	1.4700 - 1.4710	0.06-0.08pfdis	-0.57	0.35-0.38dis	-0.99
Portugal	129.90 - 130.65	129.90 - 130.00	90-100cdis	-8.77	270-300dis	-8.77
Spain	93.50 - 94.45	93.65 - 93.75	50-53cdis	-6.60	150-158dis	-6.57
Italy	1107 - 1116½	1109¼ - 1109¾	4.00-4.50liredis	-4.60	10.80-11.80dis	-4.07
Norway	5.75 - 5.80	5.75½ - 5.76	1.50-1.85oredis	-3.49	4.45-4.95dis	-3.27
France	4.95 - 4.99¼	4.96½ - 4.97	0.75-0.80cdis	-1.87	2.43-2.53dis	-2.00
Sweden	5.52½ - 5.56½	5.53¼ - 5.53¾	2.90-3.35oredis	-6.78	9.20-9.95dis	-6.92
Japan	128.95 - 130.05	129.35 - 129.45	0.01-0.03ypm	0.19	0.07-0.10dis	-0.26
Austria	10.33¾ - 10.41	10.33¾ - 10.34¼	0.65-1.00grodis	-0.96	2.30-3.30dis	-1.08
Switzerland	1.2390 - 1.2540	1.2440 - 1.2450	0.03-0.07cdis	-0.48	0.19-0.26dis	-0.72
Ecu	1.3875 - 1.4010	1.3975 - 1.3985	0.24-0.22cpm	1.97	0.76-0.74pm	2.15

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EXCHANGE CROSS RATES

Nov.16	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.966	2.890	254.5	9.765	2.447	3.262	2181	2.287	59.65
$	0.509	1	1.470	129.5	4.967	1.245	1.659	1109	1.163	30.34
DM	0.346	0.680	1	88.06	3.379	0.847	1.129	754.7	0.791	20.64
YEN	3.929	7.725	11.36	1000.	38.37	9.615	12.82	8570	8.986	234.4
F Fr.	1.024	2.013	2.960	260.6	10.	2.506	3.341	2233	2.342	61.09
S Fr.	0.409	0.803	1.181	104.0	3.991	1	1.333	891.3	0.935	24.38
H Fl.	0.307	0.603	0.886	78.02	2.994	0.750	1	668.6	0.701	18.29
Lira	0.459	0.901	1.325	116.7	4.477	1.122	1.496	1000.	1.049	27.35
C $	0.437	0.860	1.264	111.3	4.270	1.070	1.426	953.7	1	26.08
B Fr.	1.676	3.296	4.845	426.7	16.37	4.102	5.469	3656	3.834	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100

EURO-CURRENCY INTEREST RATES

Nov 16	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	14¼ - 14	14¼ - 14	14¼ - 14⅛	13⅞ - 13¾	13¼ - 13⅛	12⅞ - 12¾
US Dollar	7¾ - 7⅝	7⅞ - 7¾	7⅞ - 7¾	8¼ - 8	8⅛ - 7⅞	8 - 7⅞

FT LONDON INTERBANK FIXING

MONEY RATES

Nov.16	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.05-8.15	8.25-8.35	8.70-8.85	8.75-8.90	8.85-9.00	8.50
Paris	9½-9⅝	9⅞-9⅞	9¾-10	9⅞-10⅛	10⅛-10⅜	9.50
Zurich	7½-7⅝	8⅛-8¼	-	8⅛-8¼	-	-
Amsterdam	8.31-8.43	8.46-8.53	-	8.82-8.89	-	-
Tokyo	7⅞-8	8⅛-8¼	-	8⅛-8¼	-	-
Milan	10¼-10½	13¼-13½	-	12¾-13	-	-
Brussels	7.65	8¼-8⅜	-	9⅛-9⅛	-	-
Dublin	9⅞-10⅛	10¼-10¼	10½-10⅝	10⅜-10¼	10¼-10⅞	-

LONDON MONEY RATES

Nov 16	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	15	14⅜	14⅜	13¾	13⅜	12¾
Interbank Bid	13½	14	14⅛	13⅝	13¼	12⅝
Sterling CDs	-	-	14⅛	13⅞	13¼	12⅞
Local Authority Deps.	14	14	14⅛	13⅞	13⅜	12⅞
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	14¼	14½	13⅞	13¼	-	-
Company Deposits	-	-	14¼	13¾	13¼	12¾
Finance House Deposits	-	-	14⅛	13¾	13¼	12⅝
Treasury Bills (Buy)	-	-	13¾	13½	-	-
Bank Bills (Buy)	-	-	13⅞	13⅜	12⅞	-
Fine Trade Bills (Buy)	-	-	14⅜	13⅞	13⅜	-
Dollar CDs	-	-	7.87	8.00	7.88	7.92
SDR Linked Dep. Offer	-	-	8⅞	9⅛	9⅛	9⅛
SDR Linked Dep. Bid	-	-	8¼	8⅞	8⅞	9
ECU Linked Dep. Offer	-	-	9⅞	10¼	10¼	10⅜
ECU Linked Dep. Bid	-	-	9¾	10⅛	10⅛	10⅛

Treasury Bills (sell); one-month 13⅝ per cent; three months 13¼ per cent; six months 12⅞ per cent; Bank Bills (sell): one-month 13¾ per cent; three months 13¼ per cent; Treasury Bills; Average tender rate of discount 13.0333 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day October 31, 1990. Agreed rates for period Nov 26, 1990 to Dec 25, 1990, Scheme I: 15.08 p.c., Schemes II & III: 15.32 p.c. Reference rate for period Sept 29, 1990 to Oct 31, 1990, Scheme IV&V: 14.164 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15 from November 1, 1990: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 10½ per cent; one-three months 12 per cent; three-six months 12 per cent; six-nine months 12 per cent; nine-twelve months 11½ per cent; Under £100,000 10½ per cent from Oct 8, 1989, Deposits withdrawn for cash 5 per cent.

PHILADELPHIA SE £/$ OPTIONS

£31,250 (cents per £1)

Strike Price	Calls Nov	Calls Dec	Calls Jan	Calls Mar	Puts Nov	Puts Dec	Puts Jan	Puts Mar
1.825	14.08	14.10	14.10	14.00	-	-	0.19	1.19
1.850	11.60	11.60	11.60	11.50	-	0.06	0.43	1.73
1.875	9.10	9.10	9.10	9.37	-	0.13	0.82	2.34
1.900	6.60	6.62	6.85	7.43	-	0.47	1.40	3.23
1.925	4.10	4.47	4.95	5.76	-	1.02	2.11	4.30
1.950	1.75	2.74	3.41	4.41	-	1.91	3.21	5.59
1.975	0.01	1.62	2.27	3.31	0.70	3.17	4.64	7.09

Previous day's open int: Calls 420,428 Puts 436,117 (All currencies)
Previous day's volume: Calls 28,886 Puts 16,716 (All currencies)

LONDON RECENT ISSUES

FIXED INTEREST STOCKS

RIGHTS OFFERS

BANK OF ENGLAND TREASURY BILL TENDER

WEEKLY CHANGE IN WORLD INTEREST RATES

	Nov.16	change		Nov.16	change
3 Mth. Treasury Bill	13¼	Unch'd	Three month	8 575	-0.200
1 Mth. Bank Bills	13⅞	+1/16	PARIS		
3 Mth. Bank Bills	13¼	Unch'd	Intervention Rate	9½	Unch'd
TOKYO			One mth Interbank	9¼	-1/16
One month Bills	8⅞	+1/16	Three month	10	+1/16
Three month Bills	8⅞	Unch'd	MILAN		
BRUSSELS			One month	13⅜	-1⅞
One month	8⅞	-1/16	Three month	12⅞	-⅛
Three month	9⅛	+1/16	DUBLIN		
AMSTERDAM			One month	10⅜	-1/16
One month	8 495	+085	Three month	10⅞	-⅛
Three month	8 855	+175			

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	Fri Nov 16: US Dollar Index	% chg ($) since 29/12/89	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 29/12/89	Gross Div. Yield	Thu Nov 15: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Dollar Index 1990 High	1990 Low	Year ago (approx)
Australia (76)	123.31	-18.5	92.99	100.86	94.27	108.33	-16.5	7.48	123.54	93.45	100.94	94.84	108.62	158.31	118.98	146.97
Austria (19)	199.04	+9.2	150.10	162.81	152.17	151.97	-5.0	1.80	199.15	150.64	162.71	152.88	152.90	285.53	178.57	144.71
Belgium (61)	138.42	-10.5	104.39	113.21	105.82	103.60	-23.7	5.60	138.28	104.58	112.95	106.13	103.82	160.02	126.67	142.86
Canada (120)	125.09	-17.8	94.33	102.31	95.62	105.39	-17.4	3.81	124.89	94.47	102.03	95.86	105.08	153.61	121.24	149.61
Denmark (33)	255.38	+5.4	192.58	208.89	195.24	195.98	-9.6	1.51	253.25	191.56	206.91	194.40	195.56	277.62	234.05	222.68
Finland (26)	104.44	-21.6	78.76	85.43	79.85	77.80	-31.2	3.92	105.18	79.58	85.94	80.74	78.37	152.29	98.91	120.60
France (122)	140.27	-10.1	105.78	114.72	107.23	109.30	-22.8	3.79	138.90	105.07	113.47	106.61	108.61	168.85	124.98	132.96
Germany (91)	117.38	-5.1	88.52	96.02	89.73	89.73	-17.5	2.53	115.78	87.58	94.60	88.87	88.87	144.63	101.38	98.73
Hong Kong (46)	122.39	+4.5	92.29	100.11	93.57	122.46	+4.3	5.40	122.09	92.35	99.75	93.72	122.15	147.49	112.24	118.62
Ireland (17)	151.43	-16.6	114.20	123.87	115.77	116.98	-29.0	4.47	152.37	115.26	124.49	116.96	118.23	198.57	138.04	157.24
Italy (91)	79.73	-19.0	60.12	65.21	60.95	88.06	-29.1	3.72	79.41	60.06	64.87	60.95	66.06	109.26	79.41	88.09
Japan (454)	126.07	-36.1	95.07	103.12	96.39	103.12	-42.5	0.83	128.27	97.02	104.80	98.48	104.80	197.26	106.58	186.00
Malaysia (35)	192.91	-15.8	145.47	157.78	147.47	200.26	-15.9	3.13	194.01	146.75	158.50	148.92	201.33	250.89	182.96	195.95
Mexico (12)	551.15	+69.3	415.64	450.82	421.36	1771.65	+85.1	0.39	551.94	417.50	450.94	423.68	1774.17	561.41	324.53	289.69
Netherland (41)	133.58	-7.2	100.74	109.27	102.13	101.15	-19.4	5.31	133.84	101.24	109.35	102.74	101.71	149.03	127.56	125.87
New Zealand (16)	47.90	-33.6	36.12	39.18	36.62	41.69	-35.3	6.06	48.12	36.40	39.31	36.94	41.88	75.36	47.90	75.49
Norway (27)	219.30	+9.7	165.38	179.38	167.66	171.38	-4.2	1.80	221.53	167.57	180.99	170.06	174.02	276.79	202.34	170.63
Singapore (25)	154.68	-12.7	116.64	126.52	118.25	121.98	-21.4	3.62	155.17	117.38	126.78	119.11	122.31	209.24	147.24	157.53
South Africa (60)	176.67	-10.1	133.23	144.51	135.06	129.80	-14.6	4.20	170.49	128.96	139.29	130.87	128.73	251.39	151.50	165.70
Spain (42)	148.48	-9.0	111.97	121.46	113.52	105.40	-22.0	5.27	147.56	111.62	120.56	113.27	105.25	182.25	128.54	151.29
Sweden (27)	166.01	-13.6	125.19	135.79	126.92	138.02	-22.7	2.99	166.15	125.68	135.75	127.55	136.64	234.93	158.07	165.00
Switzerland (68)	91.31	-2.9	68.86	74.70	69.82	70.45	-21.7	3.03	91.91	69.52	75.10	70.56	71.31	109.77	85.00	86.00
United Kingdom (298)	162.60	+2.5	122.62	132.99	124.30	122.62	-16.0	5.65	161.48	122.15	131.92	123.95	122.15	176.18	139.87	142.35
USA (533)	127.98	-10.5	96.51	104.69	97.84	127.98	-10.5	3.85	127.99	96.81	104.57	98.25	127.98	148.95	119.06	138.77
Europe (962)	138.68	-4.0	103.07	111.80	104.50	104.04	-18.9	4.45	135.81	102.73	110.96	104.25	103.76	157.65	124.91	124.55
Nordic (112)	179.19	-4.4	135.13	146.57	136.99	136.35	-16.3	2.22	178.90	135.32	146.16	137.33	136.79	223.29	172.38	165.78
Pacific Basin (654)	125.51	-34.8	94.65	102.67	95.96	103.53	-40.8	1.23	127.55	96.48	104.21	97.91	105.10	192.75	107.82	181.82
Euro-Pacific (1616)	130.41	-24.5	98.34	106.66	99.69	104.52	-33.1	2.61	131.28	99.29	107.23	100.75	105.31	174.18	116.03	158.99
North America (653)	127.71	-11.0	96.31	104.48	97.65	126.49	-11.0	3.85	127.71	96.60	104.35	98.05	126.48	148.43	119.26	139.31
Europe Ex. UK (664)	120.41	-8.1	90.81	98.51	92.06	93.01	-20.9	3.59	119.89	90.54	97.81	91.90	92.83	145.62	109.94	112.74
Pacific Ex. Japan (200)	118.27	-12.4	89.19	96.76	90.43	105.44	-12.1	6.31	118.37	89.54	96.72	90.87	105.58	146.72	116.03	131.66
World Ex. US (1808)	130.92	-24.0	98.73	107.09	100.09	105.23	-32.4	2.67	131.67	99.60	107.58	101.06	105.96	173.77	117.12	158.81
World Ex. UK (2043)	125.58	-22.0	94.70	102.73	96.02	111.26	-26.7	2.74	126.23	95.48	103.14	96.91	111.90	162.00	115.37	151.43
World Ex. So. Af. (2281)	123.58	-19.9	96.96	105.18	98.31	112.25	-25.8	3.06	129.11	97.66	105.49	99.12	112.78	161.84	118.04	150.51
World Ex. Japan (1887)	131.60	-8.3	99.24	107.65	100.62	117.30	-14.2	4.19	131.21	99.25	107.21	100.73	117.16	151.59	124.31	133.85
The World Index (2341)	128.87	-19.8	97.18	105.41	98.53	112.38	-25.7	3.07	129.36	97.85	105.69	99.31	112.90	162.05	118.33	150.60

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local).

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Constituent changes: Deletions: Queensland Cement (Australia)(16/11) and Mount Charlotte Invs. (UK)(14/11). Name change: MB Group to MB Caradon (UK)(13/11) Italian prices were not updated 16/11.

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

FINANCIAL TIMES STOCK INDICES

	Nov 16	Nov 15	Nov 14	Nov 13	Nov 12	Nov 9	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs.	80.45	80.19	80.00	80.35	80.26	80.24	84.20	74.13	127.4	49.18
Fixed Interest	88.45	88.40	88.40	88.48	86.43	88.33	92.91	83.80	105.4	50.53
Ordinary	1614.8	1599.6	1583.2	1593.6	1589.7	1582.6	1968.3	1510.4	2008.6	49.4
Gold Mines	157.4	156.1	161.7	162.3	163.5	168.0	378.5	156.1	734.7	43.5
FT-Act All Share	996.49	992.83	986.82	992.08	990.49	985.66	1226.83	962.09	1238.57	61.92
FT-SE 100	2068.0	2060.0	2046.0	2056.0	2051.9	2040.6	2463.7	1990.2	2463.7	986.9

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

BRITISH FUNDS—Contd

Index-Linked

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Contd

CANADIANS

Continued on next page

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BANKS, HP & LEASING

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BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS – Contd

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd.

INSURANCES

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

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MOTORS, AIRCRAFT TRADES – Contd

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY – Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

INVESTMENT TRUST

INVESTMENT TRUST – Contd

INVESTMENT TRUST – Contd

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

For York Trust see Babcock Prebon

WATER

OIL AND GAS

OIL AND GAS – Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES – Contd

Tins

Miscellaneous

THIRD MARKET

56.1	M L Labs 1p ... y	225	–4.3	–	–	–	4578
0.62	Moray Firth 1p .... y	3½	......	–	–	–	3412
1.08	Navan Resources . y	20	–9.1	–	–	–	1185
1.46	Ovoca Gold IR 2p... y	21	–4.5	–	–	–	1470
3.06	Oxford Virology 5p y	22	......	–	–	–	2712
13.2	Poddington 5p. ...	776	......	–	–	–	3117
3.90	Ramsden's (Harry)... y	65	–16.7	9.2	9.7	January	2011
4.02	Rentaminster 5p. y	24	......	–	–	Mar Oct	5228
1.26	Sempernova.. ... .. y	9	12.5	–	–	–	1645
3.20	Sleepy Kids 5p...... y	16	–5.9	–	–	–	5068
0.38	Systems Connections. y	2	......	–	–	–	5341
5.38	Tomorrows Leisure 20p y	48	......	2.8	24.9	October	4248
1.29	UPL Group 10p.. y	32	......	–	22.5	Dec. July	4362
2.64	Video Magic Les. 1p y	16	–11.1	–	26.1	–	5071
2.40	Vista Ents 5p . .... y	2½	......	–	–	–	3994
5.59	Wilton Group 1p y	1¼	–16.7	–	–	–	3628

NOTES

Stock Exchange dealing classifications are indicated to the right of security names α Alpha β Beta, γ Gamma

Unless otherwise indicated, prices are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities
- ‡‡ Not officially listed
- ≠ Price at time of suspension
- ♣ Not comparable
- † Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend
- ¶ Cover does not allow for shares which may also rank for dividend at a future date
- ¶ No par value

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. c Cents. e Redemption yield. f Flat yield. k Kenya. C Canadian. E Minimum tender price.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; ∂ ex capital distribution

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1 . y	700	..
Finlay Pkg. 5p y	38	.
Holt (Jos) 25p... y	1305	..

IRISH

Cap. 8½% Ln. 1991..	£98¾	..
9pc Cap Ln. 1996..	£93	0.3
Fin. 13% 97/02..	£110½	..
Arnotts....	170	..
Carroll (P.J.)... ...	154	.
Heiton Hldgs ..... y	45	–11.8
IRG	153¼	.
United Drug.	133	...

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons..............	40
Amstrad.............	6
Asiec (BSR).....	4½
BAT........	45
BOC Grp.	39
BTR....	29
Barclays....	27
Blue Circle.....	17
Boots......	21
Bowaters.....	41
Brit Aerospace	43
British Steel.........	10½
Brit. Telecom......	22
Cadburys......	26
Charter Cons....	37
Comm Union.......	37
Courtaulds	25
Eurotunnel.....	40
FKI	5¼
FNFC.	20
Gen Accident......	37
GEC....	14
Glaxo.......	57
Grand Met......	44
Guardian..	15
GKN. ...	27
Hanson.....	16
Hawker Sidd........	39
ICI........	70
Ladbroke......	22
Legal & Gen.....	29½
Lex Service........	28
Lloyds Bank......	21
Lucas Inds	11
Marks & Spencer..	18
Midland Bk....	20
Nat West Bk.......	18
P & O Dfd.	42
Racal Elect....	14
RHM.........	23
Rank Org Ord..	49
Reed Intnl	30
STC	19½
Sears..	8½
SmKl. Beecham A ...	44
TI..	37
TSB	10
Tesco	19
Thorn EMI........	49
Trust Houses.	21
T&N	14
Unilever	50
Vickers....	19
Wellcome	38

Property	
Brit Land..	24
Control Secs....	3½
Land Securities.......	42
MEPC	38
Mountleigh	11

Oils	
Aviva Petlm.....	3½
Brit Petroleum.	28
Burmah Castrol.	44
Conroy Petlm.......	20
Gaelic Res	2
Premier.......	8½
Shell....	40
Tuskar Res.	6
Ultramar...	31

Mines	
Lonrho.........	21
RTZ.........	40

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,050 a year for each security shown, subject to the Editor's discretion.

FT Share Service

The following changes have been made to the FT Share Information Service:

Additions: Beaverco (Section: Industrials)

JF Fledgeling Japan Warrants (Investment Trusts)

Kvaerner (Engineering)

Deletions: Aaronson Bros. (Industrials)

Leading Leisure (Third Market)

4pm prices November 16

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37¼	9½	AAR	.48	4.4	7	2399	11½	11	11	– ⅛
9⅜	7⅞	ACM n	1.01	12.		324	8⅝	8½	8⅝	+ ⅛
11½	8¾	ACMIn	1.26	13.		2089	10	9⅞	9⅞	– ⅛
9¼	6½	ACM M	n1.01	14		774	7⅛	6⅞	7⅛	+ ¼
12¼	10	ACMMM	1.50	13.		209	11⅝	11½	11⅝	+ ⅛
11½	8⅝	ACM Sc	1.26	13.		2068	9¾	9½	9⅝	+ ⅛
9⅝	7¼	ACMSp	1.01	12.		818	8½	8¼	8½	+ ¼
24⅝	15⅞	AL Lab	.16	.7	18	15	22¼	22	22	– ¼
5¼	1	AM Intl				508	1⅝	1½	1½	
21⅛	4⅝	AM In pf	2	28.		61	7½	7¼	7¼	– ⅛
72¼	39⅝	AMR			14	4320	48⅞	47¾	47⅞	– ½
34⅝	22¾	ANR pf	2.12	9.1		10	23¼	23¼	23¼	+ ½
4	1½	ARX			4	497	1½	d 1⅜	1⅜	– ⅛
72⅞	38¼	ASA	3	7.4		592	41⅞	40⅝	40⅝	– ¾
3½	3¼	ATTC wt				20	3⅜	3⅜	3⅜	– ⅛
45⅝	31¼	AbtLab	s.84	2.0	20	5585	43⅛	42⅜	42⅝	– ⅝
14	10⅞	AbitiPri	g .50			5	11¼	11⅛	11⅛	– ⅛
11⅝	4⅝	AcmeC	.40	7.4	6	18	5⅜	5¼	5⅜	– ⅛
9¼	5	AcmeE	.32	5.8	9	17	5⅞	5½	5½	
32¼	18⅞	Acuson	s		19	585	24	23½	23⅝	– ⅛
16⅞	14⅛	AdaEx	1.72e	12.		985	14¾	14½	14¾	+ ⅛
15⅞	10¼	Adobe				18	11⅜	11⅛	11⅜	– ⅛
20¼	16½	Adob pf	1.84	11.		2	17⅛	17	17	– ⅛
21⅝	19¾	Adob pf	2.40	12		23	20½	20¼	20½	+ ¼
11⅝	3⅝	AMD				2184	4⅝	4¼	4¼	
32⅝	13	AMD pf	3	19		174	16⅛	15½	15½	– ½
9¼	1⅝	Advest	.16	6.7		245	2⅝	2⅜	2⅜	– ⅛
62	29	AetnLf	2.76	7.5	9	5494	36¾	35⅞	36⅝	– ⅝
12½	6¼	AffilPb	.24	3.5		153	7	6⅞	6⅞	– ⅛
22½	10⅝	Ahmans	.88	6.5	53	134	14	13½	13½	– ⅜
3⅝	1⅞	Aileen			8	43	3⅛	3⅛	3⅛	
61	42⅞	AirPrd	1.44	2.8	12	1130	52½	51⅞	51⅞	– ¼

[illegible]

Continued on Page 35

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Chg
		- X - Y - Z -								
60⅛	29	Xerox	3	8.8	6	4197	34⅛	33¾	34	
49	43½	Xerox pf4.13		9.0		50	46	46	46	+1½
32⅛	13¾	XTRA	.72	5.3		16	13½	13⅛	13½	+ ⅛
25	12⅝	XTRA pf1.94		15.		363	12⅞	12⅝	12⅝	- ⅛
4	⅝	Zapata				514	11-16	⅝	⅝	-1-16
13¾	4	ZenithE				1929	6½	6⅛	6½	
19⅛	9⅞	ZenNtl	.88	8.4	7	658	11⅛	10½	10½	- ½
8	4½	Zeslx	.93	20.		x24	4⅞	4⅝	4⅞	+ ⅛
17⅛	9⅞	Zero	.40	3.5	12	79	11⅜	11	11⅜	+ ¼
51⅛	29⅝	Zurnin	.88	2.6	15	115	33½	33¼	33½	+ ⅛
12⅝	10⅛	Zweig	1.18e	11.		337	10⅞	10¾	10⅞	+ ⅛
10	7⅞	ZweigTl	.84	9.8		1762	8⅞	8⅝	8¾	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

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NASDAQ NATIONAL MARKET

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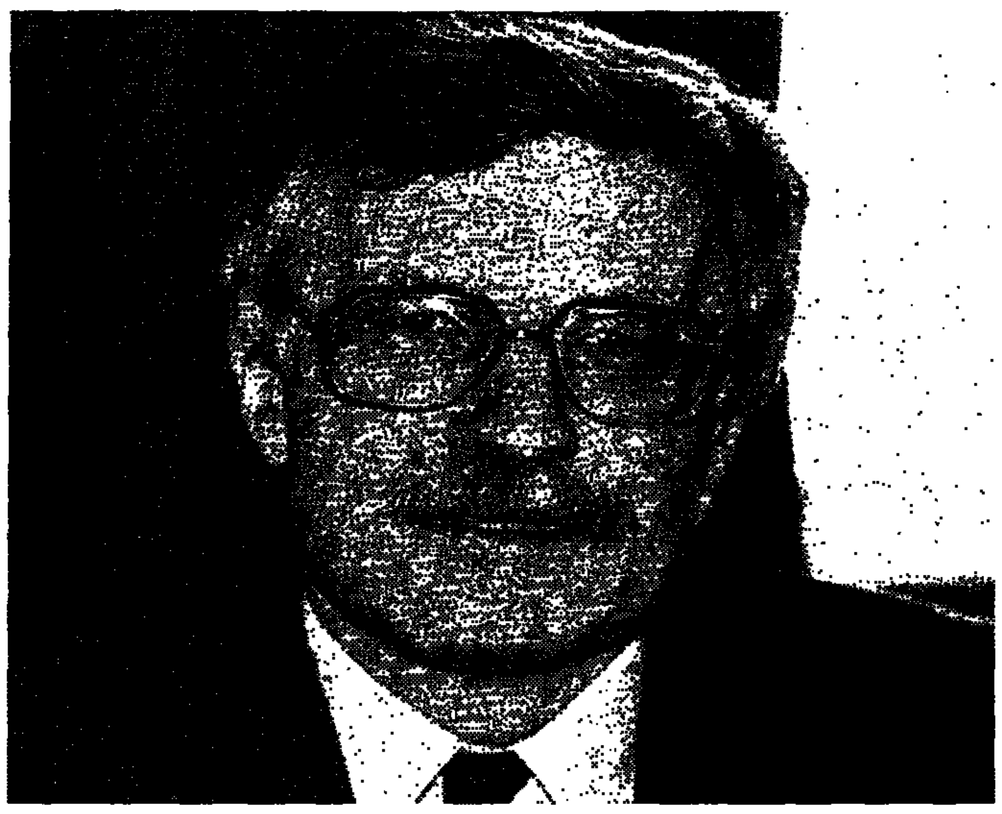
MONDAY INTERVIEW

Populist slayer of dreams

Vaclav Klaus, Czechoslovakia's finance minister, talks to **John Lloyd**



Ashley Ashwood

'One does so much that is momentous'

Nine months into his tenure as Czechoslovakia's finance minister, Mr Vaclav Klaus addressed with passion a meeting in Munich of the Mont Pelerin Society, an assembly of intellectuals dedicated to rolling back the influence of the state. He was among his peers both as a thinker (he is a formidably clever man) and as an anti-interventionist campaigner.

In his speech, Mr Klaus poured scorn on the "illusions" and "dreams" of those still in power in his country who search for a benign state of being between the free market and the command economy.

He said that a follower of this approach "considers (the market) to be an instrument of his control. He dreams about a third way, in which the market can sometimes be 'used', sometimes 'not used'. He considers the market to be an obsolete and inefficient economic co-ordination mechanism."

The man himself is one of the most extraordinary figures to emerge from the collapse of the old regimes in central Europe. Now 49, slim, handsome and greying, he embodies great contradictions. An intellectual accustomed to backroom research, he turned himself into a populist barnstormer to win the highest vote of any Civic Forum candidate in the June elections, touring his North Bohemia constituency in a ministerial Tatra car painted pink.

A neo-liberal who proposes the most rapid possible reconstruction of a sclerotic economy which has nevertheless guaranteed security and a relatively high living standard, he garners increasing support from the very people who fear the future which he wishes to see. A beneficiary of the Civic Forum movement's stunning success, he now more and more challenges its figurehead, President Vaclav Havel.

In October, in polls to choose the Civic Forum chairman, he beat by 115 votes to 52 the philosopher Mr Martin Palous – who was Mr Havel's choice. As Prague is swept by rumour that Mr Havel will reconstruct his cabinet and dismiss Mr Marian Calfa, the prime minister who had been a communist minister in the previous government, many point to Mr Klaus as the next prime minister – in spite of the president's dislike of him.

There was a time, soon after the June elections, when the tensions between Mr Klaus and "the castle", or presidency, were almost at breaking point. Mr Havel and his advisers had tried to push Mr Klaus to the sidelines with an offer of the post of central bank chairman. He beat them off by playing on his electoral vote, his popularity and his credit with the international financial community. He felt beleaguered, beset by enemies, especially presidential economic advisers such as Mr Richard Wagner and Professor Ota Sik, the latter a Dubcek aide who had provided the economic core to the 1968 "socialism with a human face", and who is again in an advisory role.

Now, in his office in the dingy, rundown finance ministry, Mr Klaus is less tense, though still precise, watchful for wrong interpretations and dismissive of what he calls "the wrong questions". A radical economic reform has been approved. The arguments and personalities surrounding it, he now insists, are less important than the fact of its approval.

Of the view held abroad that Czechoslovakia is proceeding much more slowly than Poland in economic reform, he is contemptuous: "It is completely the wrong analysis. The Polish stabilisation measures (of January 1990) were taken to counteract a situation of hyperinflation. The Poles must be politically brave but economically what they did was very simple. The situation here is not so dramatic, and thus our actions are not so dramatic."

Nearly 500 joint ventures have been concluded between Czechoslovak and foreign companies, and serious enquiries are coming in at a rate of 20 a day. The first part of the privatisation legislation is now in force: shops and small businesses can be bought and sold. The larger companies, which wholly dominate the economy, will be offered for sale sometime next year.

"When Calfa and I went to sign the act, I thought to myself, my hand should be shaking. To do this, after 40 years of state ownership, was truly something momentous! But you do so much that is momentous. One day you join the IMF, the next is something else unprecedented. Events lose their force."

Mr Klaus has said that "the early, rapid transformation of property rights is absolutely crucial for the reform to succeed". But in seeking to create private from state property, he steps into a maelstrom which is now being experienced, more or less, by all of the states in which communism has collapsed but where the market has not been established. This is a situation in which the scramble for new forms of power and wealth goes on unabated and ruthless. Many of the main players are ones who wielded political or economic power (usually both) under the old regime. "With the dis-assembly of central planning we are witnesses of a chaotic, extremely inefficient and extremely unjust privatisation . . . there is no time to wait", says Mr Klaus.

I received a vivid confirmation of his alarm in Prague's Ruzyne Airport, waiting for the plane out. A middle-aged Czech, charming and voluble and an emigré since 1969, told me that he had just bought an appartment house in central Prague with 10 flats in it for some $20,000. He had done so, he said, by means of bribing the local housing committee. He plans to wait a bit, then sell to a hotel chain. There were a number of elderly tenants, whom he hoped would move or . . . (the "die" was unspoken). He would become rich.

This kind of thing annoys Czechoslovaks, but Mr Klaus is not about to offer them much ease. To the frequent complaint that the old nomenklatura and the old crooks are becoming the new entrepreneurs, he says: "there is no known way to distinguish dirty money from clean. I cannot do it. I have said that if people know of anyone who has dirty money it is their duty to inform the authorities. What I also say is that a senior civil servant, who for the past 20 years has received a high salary for coming in to the prime minister's office and drinking coffee and doing two hours work a day, has money no less dirty than someone who engaged in moonlighting. People's savings are secret. They must stay that way."

He goes further, the academic continuing where the professional politician would have made the point and stopped. In his researches during the long years out of power he analysed saving levels in different parts of the country. He found that they were highest in the rural, lightly industrialised areas in southern Bohemia, and lowest in the industrial cities. Yet communists were much more numerous in the latter area than the first. Communists, he concluded, were not necessarily richer than others. The real rich, even under communism, were the protected traders, bootleggers, black marketeers and currency changers.

He has encountered resistance to the first of his privatisation stages. The managers of the stores up for privatisation demanded first refusal of their enterprises, and staged strikes when he refused. He has stuck to his guns, offering a minor compromise ("a concession I consider rational") in the form of an offer that they can buy for only 50 per cent cash down, the rest in instalments. "This is not resistance to privatisation as such", he says. "Rather, it is residual of the old dreams (again) of the economy where those who work in the enterprises are also the owners. It is something we do not accept. We want to privatise without discrimination."

It is a commonplace now that the euphoria which attended Czechoslovakia's benign and peaceful transition from communism to plurality has gone. It is rather a tense society, full of rumour and fear, where the most salient issues are still muted in the media which have transferred allegiance from the Communist party to the presidency without having developed an independent and critical posture of their own.

Mr Klaus can see ahead. He can see, in the next year, the more marked effects of restructuring in the heavy industrial areas: a rapidly falling output, rapidly rising unemployment. It will be hard in 1991. "Transformation has real costs. Most of the costs must be borne by us. We hope to get some standby funds for stabilisation. But most of the burden will fall on our shoulders.

"Part of the problem is that we don't yet have a standard political distribution between left and right: it is muddled, confused. But I think that finally it will be sorted out on a left-right axis. On the left side, will be the thinking that you can achieve more by distribution by the state. On the other will be the view that the government is not omnipotent and makes more mistakes than the market. This is the basic difference."

A final shot at his enemies. "We say this: that a half reform is worse than no reform at all. We cannot again leave the economy in the hands of irresponsible intellectuals." Who does he mean? He will no longer specify. Instead, cutting short the questions, he returns behind his desk, the responsible intellectual, slayer of dreams.

PERSONAL FILE

- **1941** Born in Prague
- **1963** Degree in international economic relations from Prague School of Economics
- **1963-70** Researcher, Czechoslovak Academy of Sciences.
- **1971** Compelled by the regime to leave the Academy.
- **1971-86** Worked at Czechoslovak State Bank.
- **1986-89** Head of macroeconomic policy department, Institute of Forecasting.
- **1989** A founder of Civic Forum. In December became finance minister.

An anxious nation on the couch

The US has long been the world capital of psychoanalysis: the number of anxious Americans lying on couches trying to make sense of their lives probably exceeds the population of many small countries. But recently the penchant for analysis has assumed a larger dimension. For the first time in its history, the US as a nation finds itself on the couch as academics and columnists obsessively analyse a battery of real and imagined problems.

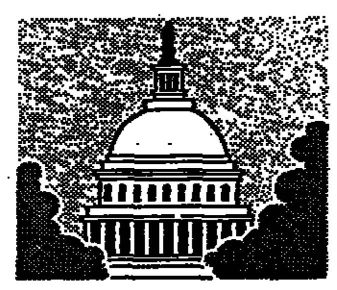
With signs of recession multiplying and the president obliged to eat Thanksgiving turkey in the Arabian desert, a degree of anxiety is to be expected. But to judge from opinion polls and newspaper articles, the pessimism runs deep. Four out of five Americans believe the country has "gone off on the wrong track". Cynicism about government has apperently reached record levels: according to one recent poll, 77 per cent of the population believe that government is run by a "few big interests looking out for themselves" – a higher proportion than at the time of either Vietnam or Watergate.

Can this angst, which seems so contrary to the traditional upbeat American character, really be justified? Or is the US indulging in a fit of English introspection and self-deprecation?

Obviously, things are not that bad. The US is in incomparably better shape than the Soviet Union or eastern Europe – or any part of the Third World. Its relative strength was recently underlined by Mr Michael Boskin, the president's chief economic adviser. The "pundits of declinism", he argued, should note that with 5 per cent of the world's population, the US produces 25 per cent of its output. It enjoys the highest absolute level of productivity and the highest per capita living standards.

He might have added that Mr Bush's leadership in the Gulf crisis demonstrates that the US remains easily the most important military and diplomatic power.

And yet all is not well. The US remains a great place for the individual to "make good"



MICHAEL PROWSE
on America

but somehow the sum of these individual efforts is becoming more disappointing. Industrially, America is treading water while powers such as Japan and Germany swim strongly. The ultimate for this remain mysterious, but the newcomer cannot help but be struck by specific economic, political and social weaknesses.

The most worrying economic problem is not the imminent recession (which will pass) but the fact that productivity has grown terribly slowly for over 15 years. This largely reflects the failure of American manufacturing, which is the sector where one would expect productivity gains to be concentrated. The result has been stagnation in average family incomes and an alarming decline in living standards for those at the bottom of the pile.

Industrial inefficiency is aggravated by a political system that is showing wear and tear. The problem is not just the semi-paralysis caused by the separation of powers but a lack of popular participation: a country in which only 36 per cent of the electorate votes in national elections cannot be described as a thriving democracy.

Moreover, the failure to reform campaign finances means that the ability of an American to represent his fellows is heavily influenced by his ability to raise cash – and hence his willingness to bow to powerful interest groups. Occasionally a maverick such as Mr Paul Wellstone, the left-wing professor who won a Senate race in Minnesota, can buck the system. But money usually talks.

Members of the House of Representatives entered the recent elections with a staggering war chest of $177m; challengers could raise only $15m and so mostly lost. But the price of victory is high: incumbents are often so beholden to sectional interests that they are incapable of promoting broader national goals. Is it any surprise that Congress is so often ineffectual?

Social problems also leap out at the newcomer. All developed countries have beggars, school drop outs and drug addicts. But why should America, the richest nation, have more than its proportionate share? Why should some 31m Americans lack health insurance? Why should up to 3m be homeless? Why are 20 per cent of the adult population functionally illiterate – unable to read a job application?

The present angst, far from being irrational, is a reflection of very real problems. But it carries with it the seeds of hope. Just as an individual only reaches the psychoanalyst's couch once he has accepted that his life is flawed, so the US's present introspection constitutes the first step towards renewal: Americans at last seem willing to concede that they do not have all the answers. They are perhaps beginning to accept that change is necessary if the US is to remain economically – and socially – competitive.

So far, the missing ingredient has been leadership from the White House. Even Mr Bush's most fervent admirers cannot claim the president has been a startling domestic success. In the past two years, there has been no shortage of rhetoric – such as the thousand points of light campaign – but all too little action. With the mid-term elections behind him, Mr Bush must begin to channel some of his energy into domestic reform.

On Friday, in a typically fizzy speech celebrating the recent Budget accord with Congress, Mr Richard Darman, the president's Budget director, quoted Tom Paine: "We have it in our power to begin the world over again." That, surely, ought to be the leitmotiv for the second half of Bush's first term.

Testing the single currency

JUSTINIAN

THE prime minister's espousal of the idea of putting the issue of a single European currency (the Ecu) to a referendum may sound odd coming from someone so passionately devoted to the British system of parliamentary government which has generally eschewed a piece of constitutional machinery normally associated with foreign systems of government. But, when confronted with a single issue of extraordinary constitutional importance, this country has in recent years resorted exceptionally to referenda. The bland assertion that we do not conduct our affairs in that way in this country no longer carries the conviction of yesteryear.

The referendum is a well-recognised constitutional mechanism for obtaining from the electorate a view on a specific question. Although it had played no part in the British constitution until 1975, it has been used in some of the older members of the Commonwealth. Both Canada and New Zealand used the device in the inter-war years for deciding on the question of prohibition. Australia uses it regularly as a pre-requisite to amending its written constitution.

There is the ever-present temptation to over-state the virtues of the Westminster model of responsible and representative government. But the more Britain moves into the European orbit of government, so the features of the continental systems can safely be replicated.

When, however, this country took the momentous step of signing the Rome Treaty in 1971 there seemed to be a genuine case for submitting the question of entry into the EC to a referendum of the electorate. Referenda were held in the other three applicant states (Ireland, Denmark and Greece).

In spite of the attempts of Mr Tony Benn, MP, to introduce a Referendum Bill, the European Communities Act 1972 was passed without specific endorsement from the electorate.

When the Labour administration of 1974, with its wafer-thin majority in Parliament, was faced with a large section of its own party in opposition to British membership of the Common Market, a Referendum Act was passed and the electorate asked: "Do you think that the United Kingdom should stay in the European Community (Common Market)?" The electorate's answer was a two-thirds majority in the affirmative.

This unprecedented instrument of government provided the impetus for further use. After the passage of the Scotland Act 1978, a referendum was held in March 1979, to ascertain the electorate's views on the provisions for legislative devolution contained in the Act.

In the referendum, there was a small majority supporting devolution. But the majority represented only 33 per cent of the registered electorate, thereby failing to overcome the 40 per cent threshold. Following the general election of 1979, the Scotland Act was repealed. Welsh devolution was, at the same time, resoundingly turned-down by the electorate.

The traditional approach of the British system of government has been firmly against the concept of a referendum. It is not a system geared to obtaining a series of opinion polls or referenda in which the garbled voice of the populace is equated with a divine voice.

Among the factors which government and MPs have to take into account is the strength of public sentiment on a whole range of complex political issues. MPs are representatives, not delegates, of their constituents. Nor is the Cabinet a committee of the House of Commons or of Parliament.

Government and its parliamentary supporters are bound to act in a way they think best in the general interests of the country. It is always open to the electorate to criticise the acts of executive government and of the legislature, to exert pressure on their representatives by legitimate means, and to voice their ultimate displeasure at the ballot box. But there is no constitutional convention that government must submit any issue to electoral approval. Hence, any future use of the referendum will be sparing.

The arguments for and against referenda focus on the capacity of the electorate to produce an authoritative response. Entry into, or withdrawal from, the European communities was susceptible to an instinctive reaction from the ordinary citizen to Britain's future place in a European political system. Likewise, the issue of Scottish and Welsh assemblies evoke an immediate nationalistic reply.

Whether the question of EMU and a single currency for Europe falls in the same category is doubtful. Where the issue in question depends on complex factors and can be answered intelligently only on the basis of an informed opinion the instrument of referendum is inapt.

The referendum is a viable instrument of government only if the issue touches on fundamental questions. The test is whether if this country were to have a written constitution the issue in question would be an essential part of that constitution. In which case the citizen would be entitled to have a direct say.

Just as the referendum on staying in the Common Market was both unexpected and unwelcome to the prime author of British referenda, so the nation's answer to the question of a single European currency may come as a profound shock to the prime minister.

JOTTER PAD

CROSSWORD

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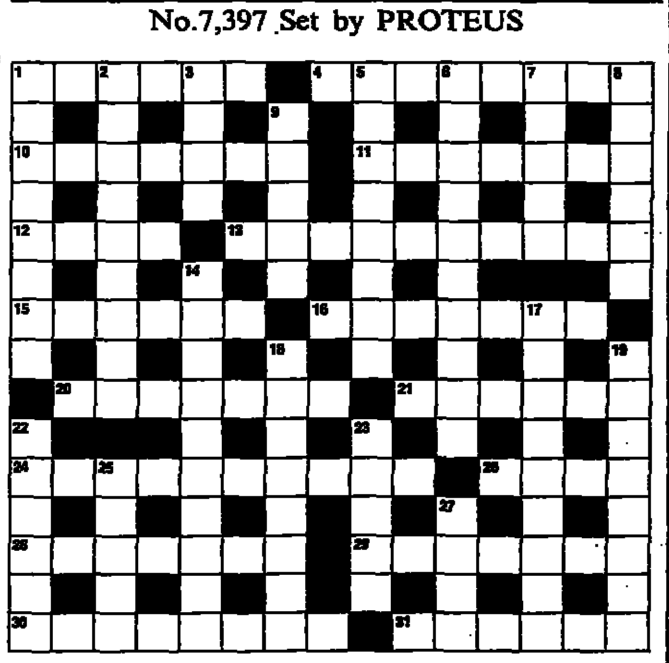

ACROSS

1 Italian can't manage to go round America (6)
4 Produced by craftsman we hear or servant girl (8)
10 Complicated coil has explanatory notes (7)
11 Hard to get vegetables without European currency (7)
12 Is it instrumental in getting the swag returned? (4)
13 Remembers soldier by prayers (10)
15 Ludicrous decline of big-headed musketeer (6)
16 Government by incomplete military body (7)
20 Tense though without a flaw (7)
21 Landlord's character (6)
24 Saucy maid getting fair share of appreciative regard (10)
26 Prophet apparently claiming to be of great stature (4)
28 Dish or subdue the spirit of worthless person (3-4)
29 Famous but incompetent (7)
30 The less attractive aspect of the moon perhaps (4,4)
31 Be opposed to a thing (6)

DOWN

1 Try underground chemical container (4,4)
2 Item of apparel more effective when old? (6,3)
3 Island retreat for those with competence (4)
5 Was pleased to have a very quiet Dover patrol (8)
6 Renunciation of underworld pretender (10)
7 Room of classic taste (5)
8 Leave off good man after side's collapse (6)
9 He may be called mad but is right to declare (6)
14 Keep those arriving without scarves (10)
17 Worthy Melba performance on unusual site (9)
18 Made haste to get final load on coal container (8)
19 Look around for chance of success (8)
22 Managed to get detective's rank (6)
23 Money found on beat (5)
25 One who cuts down on garden equipment (5)
27 Go when clubs turn up (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday December 1.

GARTMORE PANTHEON FUND

Société d'Investissement à Capital Variable
Registered office: 39 Allée Scheffer, L-2520 Luxembourg
Grand Duchy of Luxembourg

R.C. Luxembourg B 25.397

NOTICE of the Annual General Meeting of Shareholders

The Shareholders of GARTMORE PANTHEON FUND (the "Company") are hereby convened to attend the Annual General Meeting of Shareholders to be held at the registered office of the Company on Monday 10th December 1990 at 10.00 a.m. with the following Agenda:

1. Report of the Board of Directors.
2. Approval of the balance sheet and of the profit and loss account as at 31st July 1990.
3. Appropriation of net profits.
4. Discharge of the Directors.
5. Election, re-election of Directors.
6. Miscellaneous.

Decisions on the above items require no quorum and may be passed by a simple majority of the votes present or represented.

The Meeting is convened to be held on the postponed date of 10th December, instead of the statutory date of Friday, 30th November 1990, to allow shareholders to vote also on the items of an Extraordinary General Meeting of Shareholders convened hereafter.

NOTICE of an Extraordinary General Meeting of Shareholders

The Shareholders of the Company are further hereby convened to attend an Extraordinary General Meeting of Shareholders to be held at the registered office of the Company on Monday 10th December 1990 at 10.30 a.m. with the following Agenda:

1. Report of the Board of Directors on the proposed transfer of the Company's net assets to FIF International, a Luxembourg FCP ("fonds commun de placement") to be renamed and reorganised (the "Proposals").
2. Decision to liquidate the Company.
3. Appointment of a liquidator to implement the Proposals.
4. Miscellaneous.

Decisions on the above items require a quorum of one half of the shares issued and outstanding and may be passed by a majority of three quarters of the shares present and represented and voting at the meeting.

In order to participate in the Meetings the holders of bearer shares should deposit the certificates of such shares with, in the case of Distribution Shares, coupons attached, at Gartmore Luxembourg S.A. (the "Administration Agent") or Banque Indosuez Luxembourg S.A. (the "Bank") of 39 Allée Scheffer, L-2520 Luxembourg, five clear days in advance of the Meetings to enable the Administration Agent or the Bank to deliver a Form of Proxy.

Shareholders who wish to receive further information with regard to the Proposals should write to the Administration Agent or the Bank.

Notice of Early Redemption

CBS Inc.
US$ 100'000'000
11 3/8 % Notes due 1992 (EC No 11202)

Notice is hereby given, in accordance with Condition 5(b) of the above Notes that CBS Inc. has elected to redeem all the outstanding Notes on December 20, 1990 (the Redemption Date) at a price of 100 ½ % of the principal amount, plus interest due, all as more fully provided in the Terms and Conditions applicable to the Notes and the related Fiscal Agency Agreement.

Payment of the Redemption Amount, together with the interest due, will be made on or after the Redemption Date against presentation and surrender of the Notes at the office of the Fiscal and Paying Agent or of any of the Paying Agents listed below. Notes must be presented for payment together with all unmatured Coupons.

Fiscal and Paying Agent: Swiss Bank Corporation, Basel

Paying Agents: Swiss Bank Corporation, London
Kredietbank S.A. Luxembourgeoise, Luxembourg

By: Swiss Bank Corporation, Basel
For and on behalf of CBS Inc. November 19, 1990

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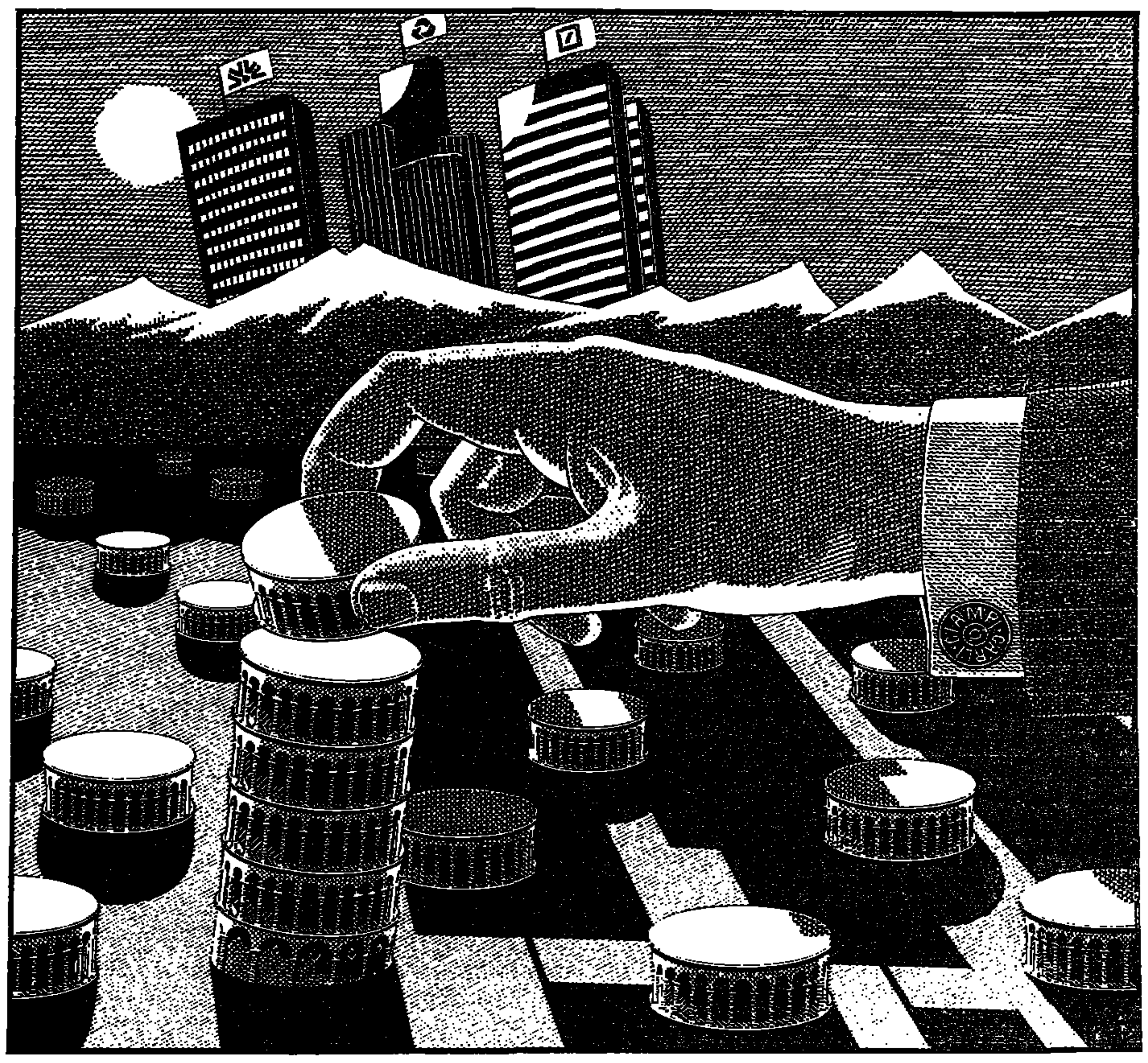
A FINANCIAL TIMES SERIES: Part 9

EUROPEAN FINANCE AND INVESTMENT

ITALY

SECTION III

The dam on big bank mergers has finally burst. Not all of the intended deals will take place, but Italian bankers will still have to hurry to put their houses in order before outsiders come and do the job for them, reports **Haig Simonian**.



Mergers in the making

LIKE THE draw for this year's soccer World Cup, names of Italian banks have been pulled out of the hat seemingly at random in recent weeks as merger-mania has gripped the media.

After years of stagnation and protected markets, the concept of banks joining forces to create bigger units better able to meet the challenges of competition abroad and liberalisation at home has suddenly become a reality.

No one doubts the need for bigger and more efficient Italian financial institutions which can offer a better service to their customers internationally while maintaining incontestable markets at home.

Nor is the desirability of banks which are less subject to political pressures in their staffing and lending in doubt – outside the political class.

Perceptions of the damage caused by politicisation, real or imagined, have swollen this year following delays in making top appointments, patent cronyism and allegations by leading businessmen of bias.

But while some banking alliances, like the Roman wedding between Cassa di Risparmio di Roma and Banco di Roma, are set to become reality, many of the other links currently being mooted are unlikely to progress much beyond the printed page.

For in an atmosphere strikingly similar to that in Germany two years ago, when banks and insurance companies were daily being wed in the press, Italian commentators have seized upon the idea of bank mergers with a vengeance.

Letting Istituto Bancario San Paolo di Torino, the big Turin-based institution which is undoubtedly the country's most dynamic bank at present, take control of Crediop, the largest long-term lending body, is an almost certain bet.

Some form of link between Banca Commerciale Italiana (BCI), still Italy's most prestigious financial institution, and Credito Italiano, is another strong possibility, although one which has become slightly less certain of late.

Other potential amalgams, such as that between IMI, the Rome-based fund management and investment banking group, and Cariplo, the country's largest savings bank, look less likely. And some of the recently-touted combinations will simply never take place.

Two keys have opened the door to domestic bank mergers. First, and least obvious, is the increasing appreciation in political circles of the fact that Italy's banks need to be bigger to compete more effectively both internationally and in terms of their big corporate clients at home.

Nourished for years by senior figures in the Bank of Italy and by Mr Guido Carli, the Treasury minister, such views have gained ground of late as the message from bankers and more enlightened politicians has made headway.

The Amato Law, named after a former Treasury minister, has provided the instrument for many public-sector banks to translate such wishes into reality.

The legislation, which was passed in July, will offer a group of public-sector banks and savings institutions the chance to become public companies, make a tax-free windfall through one-off asset revaluations and even list up to 49 per cent of their shares on the stock market.

Meanwhile, this year's liberalised rules on opening new branches has given big banks virtual *carte blanche* to expand their networks, which remain very small by European standards.

Such growth promises economies of scale and improved service to customers after years of carefully-regulated fragmentation.

But while the belated changes now under way are to be wholeheartedly welcomed, they still leave many questions to be answered.

Reducing the state's role in the banking sector tops the list. Even after the wave of mergers and alliances that is now gathering pace, Italy will still lack a private-sector bank of any international consequence.

The biggest – and also one of the least profitable – private sector institutions, Banca Nazionale dell'Agricoltura – had total assets of just $26bn at the end of last year, ranking it 163rd in the world. Banco Ambrosiano Veneto came next with $22bn, ranking it 197th internationally.

Even those public-sector banks which make use of the Amato Law will remain small by international standards.

The new Roman link will create a bank with total assets of about $111bn – peanuts compared with Credit Agricole's $242bn, Barclays' $205bn or Deutsche Bank's $202bn. Even the putative merger between BCI and Credito Italiano results in a bank with assets of only $164bn.

More important, the new Italian banks in the making will still be majority-owned by municipal or state-controlled bodies.

Italian politicians' standard response to such observations is to contrast public ownership with domination by Italy's handful of huge private-sector industrial groups, many of which may well be itching to get their hands on a bank.

But such dangers no longer loom so large given this year's passage of another crucial piece of legislation governing monoply ownership.

Though directed principally at the media, the new law could also have important implications for future control of the banking system should more of it eventually end up under private control.

Such all-or-nothing choices between state and private-sector hegemony focus attention on another structural weakness of the Italian financial system – the lack of a strong domestic capital market.

Only with a smoothly functioning stockmarket will private investors be encouraged to channel their savings – which remain impressively high by international standards – into equities.

That would allow private ownership of financial institutions – and the assurance of control by market, rather than political, criteria – without the danger of domination by Italy's omnipresent big business clans. The law-makers may be about to rise to the challenge, with approval pending for the introduction of a new type of financial institution designed to replace Italy's small and often under-capitalised stockbrokers. If such a move is quickly followed by further bourse reforms, notably in terms of outlawing insider trading and drawing up new rules on takeover bids, the chances that Italy may gradually be able to look forward to a new era of privately-owned, but not closely dominated, financial institutions, look much brighter.

If not, there is no obvious guarantee that the bigger public sector banks-in-the-making will be any less susceptible to political leverage than their predecessors.

The losers then will be Italian commerce and industry, with smaller companies in particular having to accept poor service.

The winners will be those big European banks some of which are already well represented in Italy, which see the domestic market as offering the opportunities for growth and spectacular profits, which are no longer available at home. While inordinately high prices and discouragement from the Bank of Italy have so far filtered many such ambitions, the barriers cannot last for ever.

IN THIS SURVEY

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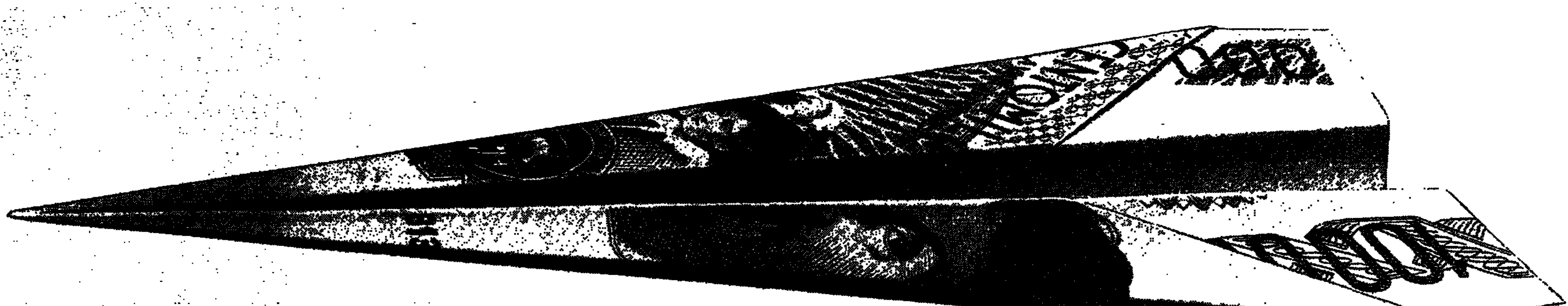
Ayer



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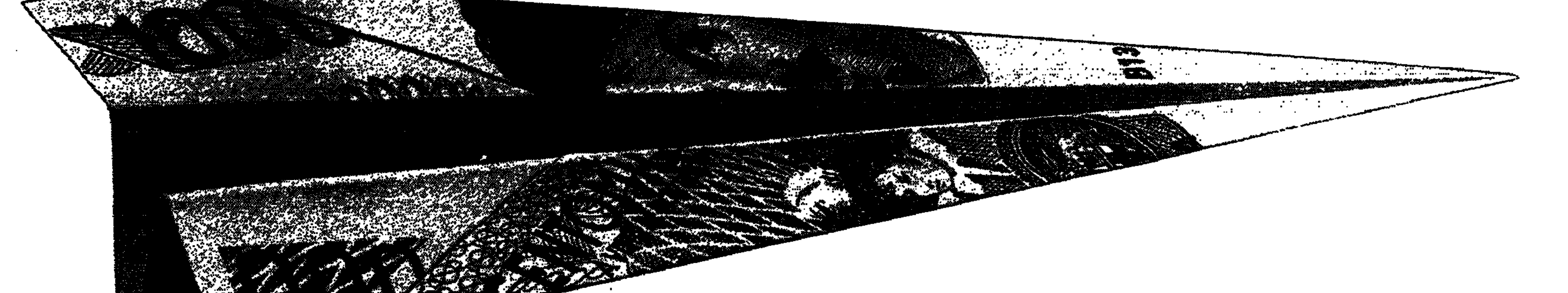
6, Lombard Street – London, EC3V9AA – Tel: 71-2833166 – Tlx: 887641 CARIPL G



CARIPLO
CASSA DI RISPARMIO DELLE PROVINCIE LOMBARDE
We know how.

David Lane traces the origins of the Amato Bill

Year of profound structural change

ITALY'S public-sector banks will long remember 1990 as a year of profound change forth-eir industry.

The turning point was on July 12, when the Italian Senate decisively opened the door for the country's six public law credit institutions and 80 savings banks to begin major structural changes.

By 56 votes to six with 10 abstentions, the Upper House in Rome approved proposals which had begun their parliamentary journey in August 1988 with the tabling of a Bill in the lower house bearing the name of the former Socialist treasury minister, Mr Giuliano Amato.

Earlier in 1988, Mr Carlo Azeglio Ciampi, the governor of the Bank of Italy, had stressed the need for change. Speaking at the central bank's annual meeting in May, he noted that "the joint stock corporation model would allow public sector banks to exploit the wider possibilities offered by company law and would assist competitive parity."

It "would create the conditions for obtaining risk capital from the market and for diversifying ownership structures", he added a year later.

The Amato Law gives public sector banks the chance to change their corporate identity from foundations, trusts and associations into joint stock corporations.

According to Mr Giampiero Cantoni, chairman of Banca Nazionale del Lavoro, the biggest of the public law credit institution, "this model responds to various functional and market needs.

"It clarifies relations between managers and owners, allows more transparency in relations with third parties, and is more flexible."

Mr Gianni Zandano, the chairman of Istituto Bancario San Paolo di Torino, another public law credit institution, thinks likewise.

"For banks with the legal structure of a foundation like San Paolo, credit business will be transferred to a new joint stock corporation. The result will be a public foundation, continuing its traditional institutional role, but holding a majority stake in the capital of a banking joint stock corporation," he says.

Spinning off credit business into public companies will clear the way for flotations, mergers and partial privatisations.

However, although all public sector banks, even the smallest local savings banks, are expected to spin off their credit activities into joint stock corporations, a stockmarket quote will probably only be sought by the biggest, while many smaller institutions are likely to opt for mergers.

The former Socialist treasury minister, Guliano Amato: the bill bears his name.

Aware of the fragility and vulnerability of many smaller savings banks, the Bank of Italy has long been encouraging them to join forces.

That may now happen as the new law starts to foster a process of concentration that, barring a handful of notable exceptions, has otherwise failed to materialise. And, as the three-way link between Cassa di Risparmio di Roma, Banco di Santo Spirito and Banco di Roma link shows, mergers may involve big banks as well as small.

Partial privatisation is another of the Amato law's legacies. Under the new rules, the public bodies owning the new banking joint stock corporations can place up to 49 per cent of equity with private shareholders.

The privatisation issue triggered fierce parliamentary debate. The Communists were strongly against the loss of public sector control. And while the Christian Democrats presented no official party position, they found reasons to oppose privatisation of the savings banks.

By contrast, Italy's Socialists argued that, while losing control would be acceptable in the case of savings banks, large institutions should remain firmly in the public sector. Only the small Republican and Liberal parties opted decisively for full privatisation.

Even the Bank of Italy seemed to have be against privatisation. In evidence to a parliamentary committee, Mr Ciampi himself said that, "the privatisation of assets is not beneficial in itself, to be sought regardless. It can arise from choices of economic policy or from case-by-case decisions aimed at boosting the operations of individual banks."

In approving the Amato Bill, the politicians allowed for exceptional cases where the private sector could take a majority stake. However, such instances will need approval by the cabinet and by the Bank of Italy.

Moreover, they must be justified in terms of strengthening the credit system, increasing a bank's international presence and asset base and allowing it to reach a size that boosts its competitive capacity. And new shareholders will not be allowed to obtain dominant positions.

Many see these restrictions as a weak point in the new legislation. They fear politicians will retain the power to appoint their nominees to the boardroom and keep control.

"The insatiable appetite of Italy's political parties to feed the spoils system will seriously deter the search for efficiency and real competition," says one banker.

Yet the law also offers the public-sector banks rich pickings. Probably the most attractive is its fiscal neutrality. Taxation of capital gains on asset values booked at the time of incorporation will be suspended, allowing banks to realise the real value of assets, boosting their capital bases and providing room for growth.

But approval of the law is only the starting point. Asset revaluation will require audit work and Treasury approval. Moreover, banks will need to resolve fundamental issues such as relations with local bodies, the institutional activities of their original trusts and associations and the status of staff pension funds that have been separate from the state social security system.

Much still needs to be done on these details. Moreover, the timetable is tight, with banks having to complete their transformations and mergers within two years from the laws date of enactment to reap the tax windfall.

But for Mr Guido Carli, Italy's treasury minister, the Amato Law represents one of the most significant legislative contributions of recent decades, warts and all. Now it is up to the banks to respond.

Italy's six public law credit institutions

Institution, 1989.	Capital in $m	Assets in $m	Pre-tax profit, $m	Number of branches
Banca Nazionale del lavaro	4,153	100,967	−106	419
Istituto San Paolo di Torino	3,697	107,403	986	408
Monte dei Paschi di Siena	3,625	66,560	543	478
Banco di Napoli	973	67,004	111	494
Banco di Sicilia	564	36,278	85	325
Banco di Sardegna	517	5,761	73	90

Sources. The Banker and ABI

Italy's top six savings banks

Bank (1989)	Capital in $m	Assets in $m	Pre-tax profit, $m	Number of branches
Cariplo	4,513	82,103	961	435
Torino	1,094	20,361	272	226
Roma	902	25,417	198	194
Verona Vicenza Beluno Ancona	866	13,470	259	148
Bologna	537	7,386	119	68

Sources: The Banker and ABI; figures for 1989

Profile: Maurizio Sacconi, Under Secretary in the Treasury

Parliamentary helmsman

MR MAURIZIO SACCONI, the young Under Secretary in the Treasury responsible for banking and financial market reform, regards the Amato law as Italy's most important financial legislation since its the watershed Banking Law of 1936.

His attitude is not entirely disinterested. As a young Socialist deputy for the constituency of Treviso and Venice, he was first brought into the treasury by Mr Giuliano Amato, the then treasury minister, after whom the law is named.

There, he became so strongly identified with it that when that when Mr Amato moved on, Mr Guido Carli – the new treasury supremo – asked Mr Sacconi to stay at his post to help guide it through parliament. He and Mr Carli are reputedly to have got on extremely well. But Mr Sacconi says it was "a functional rather than a political choice".

One of the challenges he faces is Italy's lack of "a bank of reference," even though there are roughly as many Italian banks among the world's top 80 financial institutions – Japanese excluded – as those from most other big European countries.

While Italy has about eight banks in the world's top 80, a share similar to France, the UK and Germany, "we don't have a bank which can compete with the biggest names in Europe."

Moreover, the big Italian banks tend to be in the public sector and differ very sharply in terms of capitalisation, tending on average to rank lower in the capital adequacy stakes than their European counterparts.

"The Amato law has given us the instruments to tackle these problems", says Mr Sacconi. "Mergers could help to resolve the problem of size. And the banks will be able to turn to the market for more adequate capitalisation."

However, he does not agree that the law will encourage mergers for their own sake. He also believes there is no "ideal" size for banks in Italy, and says institutions should be big enough to enjoy "an incontestable market" in their respective parts of the country.

Thus, he draws attention to the dominant position of the big three German banks dominate in their market, and strong regional institutions in Italy like Istituto Bancario San Paolo di Torino, Monte dei Paschi di Siena and Cariplo, with deep and very profitable roots in their home turf of Piedmont, Tuscany and Lombardy, respectively.

Rationalisation is equally needed among Italy's hundreds of savings and co-operative banks, he says, since the development of post-war Italian capitalism has been based at local level, where local banks represent Italy's grass-roots "financial intelligence".

The Treasury has therefore opposed merging all Italy's savings banks into one, or into a tiny handful of big institutions, for fear of losing their special local know-how. Mr Sacconi prefers more limited mergers between local financial institutions.

"They have to reach the dimension of at least a medium-sized regional bank", he says. There would be no ideal size for such banks, but they should at least cover an entire Italian province, he implies.

Such domestic concentration would leave little room for the many foreign banks which are still keen to buy into Italian banking. Reflecting current thinking in the treasury and the Bank of Italy, Mr Sacconi proposes reciprocity and share swaps rather than outright mergers.

A foreign bank might be permitted to buy a smaller regional institution, but bigger deals would be discouraged. The criterion appears to be less the size of the target bank than its importance in the local market. "It's more a qualitative than a quantitative question", he says.

The upshot is that any foreign banks interested in buying a large Italian institution will probably have to be content with a regional house, or a small equity stake in a bigger concern.

If they seek a stake in a big Italian bank, it may have to be accompanied by a reciprocal token holding in the purchaser.

International cross-shareholdings are also encouraged to make up for another weakness of Italian banks – their belated internationalisation. "We want an exchange of shares to guarantee the international presence of our banks abroad", says Mr Sacconi.

Such participation, although small, would show a certain "preference in the market-place" betweenthe banks concerned and ensure "access to the market at a low price for both sides."

An example of this trend is the small stake in Credito Romagnolo held by Banque Nationale de Paris, or in Crédit Agricole's roughly 10 per cent share in Banco Ambrosiano Veneto.

Beyond saying that integration is likely to be slow, Mr Sacconi is non-committal about current attempts to redraw the map of Italian banking, triggered by the three-way merger between Cassa di Risparmio di Roma, Banco di Santo Spirito and Banco di Roma, or the possible link between Banca Commerciale Italiana (BCI) and Credito Italiano.

"I think the integration will be slow," is as far as Mr Sacconi will go on the new Roman trinity. Might Banco di Napoli one day make it a foursome? He agrees that the authorities have long wished to create a powerful banking force in central and southern Italy. But he "can't say" what role the Naples bank might one day play.

As for the two Milan-based "banks of national interest", Mr Sacconi says merely that linking BCI with Banca Nazionale del Lavoro (BNL) might have been easier than a purely Milanese merger.

This reflects the in the Socialist party's view that the current merger wave has contentrated on Christian Democrat-run institutions and that it is now time for the Socialists to have a crack of the whip, such as with a BCI-BNL merger.

Maurizio Sacconi: responsible for financial market reforms

But he shows all the political skills which first got him into parliament at the tender age of 29 when it comes to turning the tables away from a discussion on the politicisation of Italian banking.

The greatest temptation for politicians is to meddle at local savings banks, according to Mr Sacconi. But any such instinct would be swiftly countered by the ever-watchful eye of the Bank of Italy, he says.

But how does he explain this year's gap in filling the top slots at a number of top banks – a process seen at its extreme in the months of delay to find a politically-acceptable chairman for Monte dei Paschi? And what of Mr Raul Gardini's public fulminations against alleged political meddling at BCI?

"The problem [in filling top jobs] is not one of party allegiance. The problem is one of finding the right quality of manager for the job," he replies. "If the decision rests with a government, and that government is a coalition, it takes some time".

Carefully omitting the words Christian Democrat from his remarks, he notes that there are often differing schools of thought within one party, let alone the coalition. And would the French or American system of booting out the old guard each time the government changes be any better?

Finding his flow, Mr Sacconi soon shifts the threat from politicians to the private-sector instead – and notably Italy's coterie of top businessmen.

One of the most laudable factors in the Italian economy is the absence of close shareholding links between banks and big business, he argues. Thus rather than the politicians, the danger to the banks comes from big businesses, borrowing heavily at preferential rates, to reinvest as they please, he argues. As for the Gardini claims – hokum.

"The danger that legislators are always aware of is that there are only a few big groups in Italy, which could want to take over large banks." So great is the perceived risk that parliament specifically amended the government's text of the Amato law so that any increase in the quota of a public-sector bank's shares floated on the stock exchange beyond 49 per cent would require direct parliamentary approval.

By contrast, the government felt that control via the banks' statutes would be enough to police such influences, he points out. In that respect, even Mr Sacconi's own Socialist party may have been slow off the mark, he admits. The Left in Italy has always tended to overvalue the importance of material assets, and underrate the role of finance as an instrument to command the economy. That may be changing now.

Haig Simonian

New banks in the making

The race is on to restructure Italy's financial system through mergers and takeovers

A NEW heavyweight in Italy's banking fraternity emerged as a result of last month's purchase of 65 per cent of Banco di Roma by Cassa di Risparmio di Roma, Italy's second biggest savings bank.

By creating a bank bigger than the market leader, it upset the established pecking order. But bankers should not have been surprised. For some years, there have been signs that the Rome Cassa nurtured strong ambitions for growth and enjoyed the support of the Bank of Italy.

Mr Cesare Geronzi, the Rome Cassa's general manager, has been supervising the expansion since he joined the bank in 1982 and, two years later, bought the two-branch Banca Generale di Credito from Banco di Roma.

Given his previous lengthy service with the Bank of Italy, the Rome Cassa appears to have served as the central bank's guinea-pig for rationalising the banking sector.

Three years ago, it out-manouevered other institutions to absorb the Molisana savings bank. Then, last year, it acquired Banco di Santo Spirito from IRI, Italy's state holding company.

The ink will be dry on the Banco di Santo Spirito merger by the end of the year, while the Banco di Roma operation, on which discussions with IRI started last February, will be completed before the end of 1992, says Mr Geronzi.

While the creation of a bank with 805 branches, 24,000 employees and L91,000bn of deposits establishes new benchmarks for Italy's large banks, it also highlights the opportunities they now enjoy.

"Taking over Banco di Roma would not be possible without the Amato Law," says Mr Geronzi.

Bankers had already been keeping their eyes on the Amato Bill's passage through parliament. Following the latest Roman alliance and much prompting by the Bank of Italy, the country's large and medium-sized banks have now been set a new standard.

Many must now be wondering whether their ideas are imaginative and ambitious enough to match it.

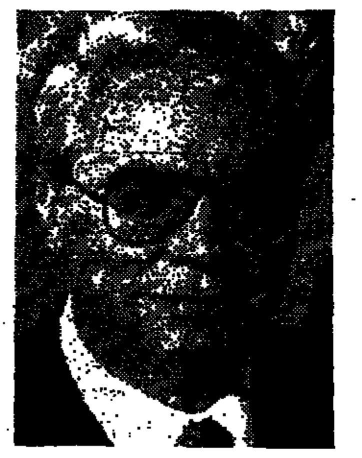
"Cassa di Risparmio di Roma deserves congratulations. It is now in a different league, with other large banks lagging behind," says Mr Alberto Pavesi, the chairman of Cassa di Risparmio di Verona Vicenza Belluno e Ancona.

How will the biggest banks react to their displacement by the new Roman upstart, and what strategies will other institutions adopt, irrespective of their rankings?

There may well be serious heart-searching at the head office of Cariplo, the Milan-based savings bank, which rates first on capital, second on profits and fourth on assets in 1989. During the past year Mr Roberto Mazzotta, its chairman, has been pushing for the creation of a single Italian savings bank.

However, with the Rome Cassa now ruling itself out, and with no signs of interest among independently-minded savings banks of Turin and Verona, Mr Mazotta's project must be considered aborted.

Cariplo has been forming alliances with small local institutions since 1987, when it took a 16.7 per cent stake in rescuing the Cassa di Risparmio di Calabria e Lucania.



Cesare Geronzi, the Rome Cassa's general manager: supervising expansion

Last year, its 33.3 per cent stake in the 16-branch Cassa di Risparmio di Spoleto in Umbria was approved by the central bank, and it is now completing a similar stake-building operation with the 27-branch savings bank in Fermo and the 32-branch savings bank in Rieti.

Considerations over mergers are probably prompting discussion in the boardrooms of Italy's six public law credit institutions, all of which, with the exception of Banco di Sardegna, figure among in the country's top ten in terms of assets.

Speculation has centred on Banca Nazionale del Lavoro (BNL) and Banco di Napoli, both of which are generally rated poorly for efficiency, have low profitability and have capital deficiency problems.

Istituto Mobiliare Italiano (IMI), the state-owned financial conglomerate, is often tipped as a strong partner for Banco di Napoli.

During the spring and early summer of this year, IMI had been negotiating with IRI to buy Banco di Roma, and its interest in acquiring a major retail bank is well

Continued on facing page

Italy's three national interest banks*

Bank	Capital	Assets in $m	Pre-tax profit, $m	Number of branches
Banca Commerciale Italiana	3,416	88,594	559	460
Credito Italiano	2,491	75,233	316	494
Banco di Roma	2,075	64,472	162	377

*Figures for 1989; sources: The Banker and ABI.

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Banking mergers

Continued from page 2

known. BNL's position is more difficult, though a merger with Banca Commerciale Italiana (BCI) is *not out of the* question.

Meanwhile Monte dei Paschi di Siena (MPS), the world's oldest operating bank, faces none of the problems of the BNL or the three southern public law credit institutions. The bank, which last year ranked fourth on capital and profits, does not need new capital. Nor is it expected to open up its share capital or form important new alliances, other than swapping small stakes in subsidiaries with foreign banks.

Even more robust than MPS, 400-year-old San Paolo, with its strong local roots, will almost certainly continue its strategy of looking beyond profitable provincialism. It is widely regarded as a leader among Italy's large banks, *and should* waste no time in seizing the opportunities offered by the Amato Law – "I am convinced that San Paolo should seek quotation of its shares as soon as possible, both on national and international stock markets. Substantial internally generated resources may not be sufficient to guarantee continuing expansion," says Mr Gianni Zandano, its chairman.

Parochialism remains a serious obstacle to concentration

"The re-drafting of our articles of association in 1987 laid the foundations for agreements with primary foreign institutions," he adds. Mr Charles Hambro sits on the Turin banks board, as did the late Mr Renaud de la Genière.

A different path is being trodden by San Paolo's neighbour, Cassa di Risparmio di Torino (CRT). Taking minority stakes in five small Piedmont savings banks and in the savings banks of Vignola in Emilia Romagna and Citta di Castello in Umbria, CRT seems to be settling for medium *sized* inter-regional *status*.

Cassa di Risparmio di Verona Vicenza Belluno e Ancona has opted for a similar role. This year's agreement with the Cassa di Risparmio in Bologna will create a bank *matching CRT in size*.

"All necessary *steps* are *being taken to prepare* the banks for merger, *from* valuation *criteria* to joint *technical* committees on staffing and information systems," says Mr Pavesi, adding that other Emilia Romagna banks have also expressed interest in joining the project.

The Bologna savings bank is attractive for several reasons. Financially robust, it lies halfway between Verona and Ancona, where Mr Pavesi's bank last year bought the city's savings bank.

Moreover, there are strong similarities in the local economies of the regions in which the two banks operate. However, in undertaking the operation, the Verona bank trod heavily on the aspirations of a group of north-east savings banks, which have also been pushing for a regional grouping – "for three years I have been proposing the creation of a holding that would group nine savings banks in the Ven*eto, Friuli-Venezia-Giulia* and Trentino-Alto Adige regions," says Mr Ettore Bentsik, chairman of Cassa di Risparmio di Padova e Rovigo. Without the Verona bank the project seems a non-runner.

Mr Bentsik's bank has 1 per cent of the Cassa di Risparmio di Firenze, the Florence savings bank. That stake seems designed to foster a courtship which might blossom. Meanwhile, the Florence Cassa has forged an alliance with savings banks in Pistoia and Leghorn to stimulate a new Tuscan grouping.

The breakdown of talks between the Florence and Bologna savings banks over the question of leadership, and the likely Veronese demand for a controlling interest – which may have scuppered its participation in any wider north-eastern alliance – demonstrate that parochialism remains a serious obstacle to concentration – "small banks generally recognise that they are not viable. Medium-sized banks aspire to independence," says Mr Federico Pepe, general manager of Banca Popolare di Verona.

Influenced more by the bottom line than by politics, the co-operative banks have been busily rationalising among themselves. Mr Pepe's bank last year absorbed smaller co-operative counterparts in the neighbouring provinces of Mantua and Vicenza. He expects that the Amato Law *will encourage further mergers* among the co-operative banks as smaller institutions look for partners or parents.

David Lane

Sober views on the economy

A slowdown in world trade and a softening of domestic consumption and growth in exports have meant that 1990 has not lived up to the government's original expectations of a 3.4 per cent growth in output, says John Wyles

THOUGH FAR from bleak, the short-term prospects for the Italian economy have become increasingly sober as a rising oil price has made itself felt on an economy which was already showing signs of breathlessness.

For the longer term, almost certainly the best thing that could have happened for Italy – apart from gaining the prestige of having presided over the occasion – was the European Community heads of government agreement at the end of October to set a January 1 1994 starting date for the second phase of monetary union.

Although this sets no precise and binding conditions for the management of Italian budgetary policy, it will serve to strengthen the absolute requirement to halt the spiralling of public debt and to align the annual budget deficit very much more closely to the Community average.

It will not help that over the next year or two this process may have to take place in a framework of lower annual economic growth than the 3 per cent average for most of the 1980s.

A slowdown in world trade and a softening of domestic consumption and growth in exports have meant that 1990 has not lived up to the government's original expectations of a 3.4 per cent growth in output. The shortfall is not catastrophic – growth should be around 3 per cent – but the slowing of the economy is now very obvious. Private forecasts for next year range from a 1.8 per cent to 2.6 per cent rise in gross domestic product against the 2.7 per cent targetted by the government in its most recent forecasts.

As in other countries, the impact of the Gulf crisis is difficult to evaluate because its weight, through higher oil prices, could vary enormously if there is a military conflict which seriously affects supplies.

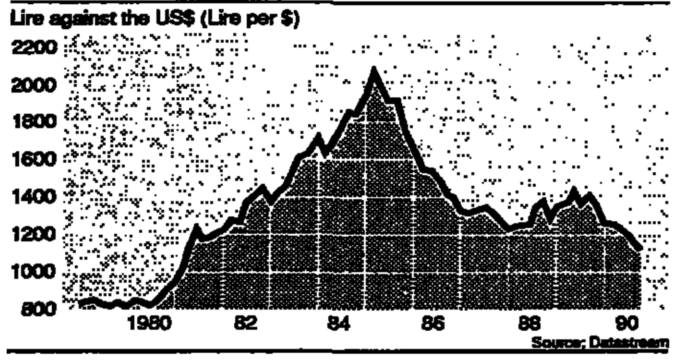
Since Italy is about 82 per cent dependent on imported energy, both the domestic inflation rate and the trade balance are significantly vulnerable. The Bank of Italy's research department has *recently produced a study* which underlines, among other things, that Italy is much more efficient in the use of energy than it was at the beginning of the second oil price crisis in 1979. According to the central bank, by 1989 the ratio between GDP growth and net increases in energy imports had been halved. Nonetheless, an average price of $35 per barrel would cause a significant deterioration next year of around L10,000bn on the current account of the balance of payments.

The government's officially forecasted deficit is for L12,536bn, compared to L10,000bn for this year. The Bank estimates that inflation around 6 per cent will be fully one and a half percentage points higher than officially expected. This is also three points higher than the average inflation rate of those countries which belonged to the Exchange Rate Mechanism before the UK joined.

"The lack of coherence is obvious between a lasting gap of this size and the discipline implicit in the exchange rate agreement of the EMS," Mr Carlo Azeglio Ciampi, the governor of the Bank of Italy, told a parliamentary committee last month.

Exchange rate

Lire against the US$ (Lire per $)



Source: Datastream

would worsen by 0.6 per cent and that the growth rate will be half a percentage point less than might otherwise be the case.

The Bank warns, however, that the effect on inflation of a $35 per barrel price would be a full one percentage point increase if it was fully passed on in pay increases through the scala mobile system of wage indexation.

The future of wage indexation is due to be reconsidered from the middle of next year by the government and the two sides of industry exclusively because of heavy pressure by Confindustria, the main organisation representing Italian industrialists. Domestic inflation has been exceeding government targets for the past two years, and the average in 1990 of

According to Confindustria, above average domestic inflation allied to a slowdown in productivity is now having a definite impact on manufacturing competitivity.

It is actively campaigning for a wages policy similar to that of the early 1980s which anchored pay rises to anticipated inflation and which in four years helped to more than halve the 21 per cent inflation rate of 1980. The organisation has calculated that such a policy would reduce consumer price inflation in 1991 to 5.5 per cent against its own forecast of 6.6 per cent, while the slowdown in growth would be reversed, GDP increasing by 2.6 per cent in 1991 and 2.9 per cent in 1992.

On the fairly reliable assumption that there will be an early general election next June, it is quite possible that shortly afterwards a government may well have to adopt such a policy in order to rein in the rising burden on its budget of public sector pay rises. These have been running well above levels set down by the medium term budget plan which aims to produce an L8,000bn surplus next year, net of interest payments on the public debt.

With health spending having exceeded estimates by 50 per cent during the last three years, and pension and welfare payments also running well ahead of forecasts, it is legitimate to question whether the Italian budget is subject to any serious political and administrative control.

The 1991 budget seeks a deficit of L132,000bn or around 9.4 per cent of gdp on the basis of L44,000bn of higher taxes and reduced spending. But many of the measures directed at obtaining this result are based on very optimistic assumptions to the extent that even Mr Guido Carli, the Treasury Minister, has wondered whether the deficit target is achievable.

Moreover, one cannot be sure that the budget proposal will make more sense after the parliament has finished tinkering with it.

But it is the case that in the view of some economists Italian tax rates, now equal to EC averages after a four percentage point increase from 1987-1990, cannot move much higher without damaging the productive sector and possibly weakening the Treasury's bility to finance the deficit from domestic savings. As it is, the government has programmed another 1.5 point increase in tax pressure by the end of 1992.

Political will, therefore, is needed both to attack the structural deficits in health and welfare and to mount a stronger attack on tax evasion. The EC's political agreement on monetary union will be a useful spur because of the political class' longstanding fear of not being able to keep up with the Community's proces of economic integration.

The process of moving towards a single currency from the beginning of 1994 will require Italian budgetary ratios to converge much more significantly on EC averages.

KEY FACTS AND INDICATORS

Population ....57.5 million (1989 estimate)
Head of State ....President Francesco Cossiga
Currency ....Lira
Average exchange rate ....1988 US$1 = L1,301.6
....1989 US$1 = L1,372.1

Italian Prime Minister, Giulio Andreotti

ECONOMIC INDICATORS

	1988	1989
Total GDP (US$bn)	828.9	865.8
Real GDP growth (%)	4.2	3.2
GDP per capita (US$)	*14431*	*15053*
Components of GDP (%)		
Private consumption	61.9	62.0
Gross fixed investment	20.0	20.2
Increase in stocks	1.4	1.4
Government consumption	17.3	17.0
Exports	17.9	19.2
Imports	−18.5	−19.8
Current account balance (US$bn)	−6.2	−10.6
Exports (US$bn)	127.4	140.3
Imports (US$bn)	128.8	142.3
Trade Balance (US$bn)	−1.4	−2.0
Main trading partners (% of total value)		
Exports:		
West Germany	18.1	17.0
France	16.6	16.3
European Community	57.2	56.5
Imports:		
West Germany	21.8	21.2
France	14.9	13.8
European Community	57.5	56.7
Total external debt (US$bn)	*58.0*	*74.0*
Public sector deficit (US$bn)	94.6	92.4
Consumer prices (% change per year)	5.1	6.3
Unit labour costs (% change per year)	3.8	7.9
Industrial wage rates (% change per year)	7.6	7.8
Unemployment (% of the labour force)	12.0	12.0
Industrial production (% change per year)	5.6	3.7
Total reserves minus gold (US$bn)	34.7	46.7
M1 growth rate (% per annum)	8.0	11.3
M2 growth rate (% per annum)	8.6	10.8
Discount rate (% per annum, end period)	12.5	13.5
3-month Treasury Bill rate (% per year, average)	9.2	10.2
Long-term govt. bond yield (% per year, averaged)	10.5	11.6
FTA Italy Index (% change over the year)	+22.7	+12.3

Sources Keith Fray and Christopher Flood, FT Statistics Department; IMF; Datastream; Economist Intelligence Unit.

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LOANS 9,000 Billion
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THE STOCK MARKET

Final curtain now in sight

David Lane reports on plans for radical changes in the market framework

IF all goes to plan, the Italian parliament should bring down the final curtain on Bill 953, the new law introducing radical changes to Italy's stock market, by the end of the year.

Approved by the Senate in April 1989 but still being discussed in the Chamber of Deputies, parliament's lower house, the legislative debate rivals London's play "The Mousetrap" for its longevity.

The Bill provides new regulations for securities dealing and a new organisational framework for the market.

Named after the Societa di Intermediazione Mobiliare – the new type of securities intermediation companies it will introduce – the Sims Bill is one of three key pieces of draft legislation on stock exchange reform.

The others include a proposal to regulate public purchase offers and take-overs, approved by the upper house in June 1988, and a plan to ban insider trading, which was passed by the Chamber of Deputies. Each has been considered by one of the two chambers, but still has to pass muster in the other.

"The main reasons for reform are to regain market efficiency and to protect savers," Mr Lamberto Dini, general manager of the Bank of Italy, said in Milan a few weeks ago.

"Because market solidity and investor protection are naturally linked in the intermediaries, the reform dedicates particular attention to them, requiring appropriate professional standards and asset levels and instituting prudential rules."

Drawing on experience in other countries, Italy has decided to introduce dual capacity dealers, which will be authorised to undertake broker commissions on behalf of clients and also transact business on their own account.

In addition to securities trading, the Sims will be able to participate in bond issues, underwriting and fund management.

Mr Roberto Paolo Rossi, head of securities trading at Banco di Roma, believes that the new rule requiring all trading to be handled by Sims will lead to much greater transparency and be a much-needed purgative for the bourse. "The cleaning out will eliminate those intermediaries and finance companies that have created problems for the stock market," he says.

The new rules lay down that Sims should be joint stock corporations or partnerships with share capital open to Italian and foreign banks, brokers and industrial companies. To protect the current brokers, their presence in Sims will be obligatory for a set period after the law is enacted.

"There will be three types of Sim: those run by brokers continuing independently; those formed by mergers between brokers; and joint ventures involving brokers and banks," predicts Mr Rossi. He believes that around 60 Sims will be established, of which probably half will involve banks.

Attilio Ventura, chairman of the Milan stock exchange: "all the technical problems have been resolved."

Mr Rossi's own bank started talking to leading brokers two years ago, with the aim of bringing two or three top houses into a joint venture amalgamating all their client bases. At present, Banco di Roma uses more than 100 different brokers for its stock market operations, business that will pass to its Sim once the new law comes into force.

The law will also oblige dealers to trade exclusively through Sims on the market, thereby eliminating the widespread practice among banks of cross-matching deals in-house. Some estimates put the level of off-floor trading at about double the official market volume – "that is hugely over-stated.

A former stockbroker and past chairman of the Rome stock exchange, he thinks that it will be essential for the Sims to be independent of the banking system – "highly specialised and qualified staff are needed, not bank employees. Remuneration arrangements must be different."

Problems with clashing cultures in other financial centres are familiar enough. However, Mr Rossi notes the opportunities Sims will offer the banks. Not only will they provide first-time direct access to the bourse and eliminate of brokers' commissions, they will also open new prospects in terms of branch networks and market segmentation.

But while the banks horizons will widen, the worlds of many brokers will shrink. In particular, those working at the nine stock exchanges outside Milan will find it hard to survive. With the Milan market accounting for about 90 per cent of Italy's total trading, even exchanges in big cities like Rome, Turin and Genoa are of minor importance.

The threat to the brokers does not only come from Sims. "We are preparing to change from a call auction system to a national network of continuous trading. All stock exchanges will be unified in a single circuit, passing from 10 physical locations to a single node for the whole country," says Mr Attilio Ventura, chairman of the Milan stock exchange.

After several years of discussion, an electronic market is now close to reality – "all the technical problems of software, hardware and training have been resolved. Continuous trading will start next May," he says.

Initially, only a few highly liquid and heavily-traded shares will be carried on the computerised system. A further year will then be needed, though probably one third of the securities currently traded will not find their way onto the new system.

The changes under way promise investors on Italian stock markets a cleaner, clearer deal in terms of pricing and settlement. But without action on insider trading and takeovers, outsiders and minority shareholders will still suffer cavalier treatment.

Mr Rossi believes that legislation banning insider trading should be enacted soon after the Sims Bill.

Many Italians are, however, sceptical about enforcement, partly because of experience elsewhere and partly because their local knowledge suggests that regulation will be even less effective in Italy. "Milan's stock market without insider trading would be like a night-club without girls," comments an observer.

There are also doubts about regulating take-overs and protecting minority shareholders. "It is a delicate issue creating considerable perplexity," comments Mr Rossi, who is unwilling to guess when or in what form the legislation will leave parliament. Yet many bankers believe that complete reform, including the introduction of futures and options, is needed to close the gap between the Italian stock market and other European counterparts.

The optimists hope that the proposed changes will stimulate trading. At the end of September, the Milan market was capitalised at just L195,700 bn, with only 225 companies listed. Greater transparency and higher efficiency may encourage others to float.

For the pessimists, the ever-present threat of business drifting abroad lurks in the background.

The Milan Bourse: new regulations for the stock market could be in place by the end of the year.

Two leading academics discuss why Italy's securities markets are so under-developed

Reforms are overdue

By **Franco Modigliani,** Professor Emeritus, MIT, and **Enrico Perotti,** Asssistant Professor of Finance, Boston University.

IN RECENT years, the most successful instrument of economic legislation of the European Commission has been the promotion of competition among national regulations.

By forcing the different countries to lower their barriers to foreign entry and by adopting the principle of mandatory mutual recognition of regulatory standards, all companies are authorised to operate abroad on the basis of their home country rules. It is now in their interest to promote deregulation at home.

However, in our view competition among European financial markets will not trigger a deregulatory free-for-all. The main impact of the new EC directives will be the dismantling of entry barriers, and thus the reduction of rents enjoyed by the more inefficient and protected financial institutions.

In addition, the EC legislation has applied the principle of subsidiarity (delegation of legislative prerogatives to the national level) for financial regulation of markets, implicitly encouraging competition among legal-regulatory codes to provide a sound and reliable financial environment.

Economically united, but sovereign, European nations are now drawn into competition in regulatory quality.

The Germans have coined a word for it: *Finanzplatzfoerderungsgesetz*, (loosely, the necessary legislation to promote the domestic capital market).

Many other European nations have understood the importance of retaining a strong domestic financial sector.

Unfortunately, the attitude of the Italian government betrays a great uneasiness about the new climate; the impression is that change is being resisted, or conceded only when events make it inevitable and overdue.

This approach, we argue, will lead Italy to suffer rather than benefit from the Europe 1992 programme. In particular, we may soon observe the near-disappearance of our domestic capital markets.

We believe that in Italy, legal rules have deliberately been left vague, incomplete and, even, un-enforced.

We argue that the current regulatory structure exists in order to perpetuate the ubiquitous involvement of political factions in the government of the economy.

In a fuzzy legal climate, many economic transactions must be negotiated or mediated by political intervention. In particular, financial regulation has historically taken the form of strict controls on what activities are to be allowed in the financial sector.

Although this policy promoted stability, it also suppressed competition, limited or rationed entry of new institutions or expansion of efficient ones, and discouraged innovation.

It also allowed governments to maintain an active role in allocating funds, both directly through its large transfers to industry, fiscal favour to certain sectors, and an extensive structure of state-owned firms, as well as indirectly through *de jure* and *de facto* political control of most of the banking sector.

A major consequence of this ambiguous legal framework in Italy is the stifling of the development of domestic security markets.

Financial securities are by their nature particularly sensitive to the legal framework in which they are traded: their value depends crucially on the enforcement of the associated rights stipulated by economic legislation on their issuance, circulation and participation in income and control.

Lack of adequate protection for small investors, particularly in the matter of fiduciary responsibility and accountability of corporate directors, is reflected in an unequal distribution of gains between small and large shareholders. Poor enforcement of investors' rights fails to constrain the actions of controlling shareholders.

As a result, the claims of minority investors can be diluted at will by transfers of assets at arbitrary prices among firms, trading of controlling blocks of shares outside the Stock Exchange, and no obligation to offer equal remuneration to all shareholders.

The sharp discount the market requires on non-voting shares relative to ordinary shares, as well as on small amounts of ordinary shares compared to controlling blocks, is clear evidence of the phenomenon.

More generally, this moral hazard cost is reflected in the very weak demand for equity securities by individual investors, who quite rationally come to distrust the stock market. The result is a depressed demand for security investment, which ultimately is reflected in thin trading and scarce liquidity.

Scarce liquidity, aggravated by unsuppressed insider trading, also raises required yields, depressing prices.

Similarly, private debt security markets, which are in principle more protected, have been legislated out of existence in Italy by a severe fiscal disadvantage vis à vis bonds issued by the government and public sector borrowers.

In this ineffective legal framework, markets cannot prosper and large organisations (such as banks, which the political class has historically favoured) tend to prevail over markets as a source of financing.

Agents in the private sector need to establish long-term relationships or develop complex cross-holdings to ensure compliance.

Indeed, a private capital market has emerged in Italy, where funds, firms and assets are exchanged within and among the large groups.

It is quite important to understand that this state of affairs ultimately damages all firms. Although they may wish to issue securities to finance investment, they are unable under the current legislation, to promise appropriate remuneration to minority interests.

The result is depressed prices and a general discouragement of (domestic) security financing.

Obviously, large and well known firms can tap the international capital markets.

On the other hand, small and medium sized firms face a compounded problem in accessing the domestic market; in addition to the lack of rules, they suffer from limited information and visibility among investors.

This is a particularly serious disadvantage for the growth of small, entrepreneurial firms. Their expansion is limited to self-generated funds, which in general will not correspond to the opportunities available. The only alternative is expensive bank intermediation.

The disadvantages of bank credit lies especially in its incapacity to support rapid expansion based on future prospects, as opposed to current net worth. It is particularly inappropriate in emerging industries, where risk capital is essential to redistribute the considerable risk of new ventures.

Prof. Franco Modigliani: "competition among European financial markets will not trigger a deregulatory free-for-all."

The consequences of European integration for the Italian financial system are already visible in the recent departure of investors, traders and commercial financing from the domestic market.

It is already becoming possible for foreign financial firms to arbitrage between the demand by Italian companies for risk capital and the impossibility to rely on the Italian legal structure to collect savings for that purpose.

Foreign firms have established closed-end funds abroad, subject to foreign law, but aimed at connecting Italian investors and Italian small companies.

Accepting this trend implies a loss of value- added of those financial services.

Even more seriously, it means accepting the complete demise of our domestic capital market.

It may be true once again that the EC will help to save Italians from themselves by forcing reform on an entrenched political class. But this requires the determination to take overdue legislative initiatives.

The aim should be the abolition of the feeble and suspect judgment of politicians over the merit of investments; markets should be allowed to sort out the firms worthy of funding.

This implies a sharp containment in the so-called *intervento straordinario* (subsidised industrial policy).

Instead, government policy ought to promote the development of the economic infrastructure, defined as public investment which improves the economic environment as a whole.

Structural investment is particularly urgent in legal regulation and enforcement, particularly as regards the organisation of markets and competition.

Minority investors' rights must be clarified and enforced. And the judicial system must be improved, with the independence of the judiciary, historically weak and severely dented in recent events firmly reasserted.

Moreover, there should be enforced disclosure for elected officials and political organisations.

Among specific initiatives for the security markets, a stronger and more qualified regulator is foremost, under central bank auspices.

Recent steps to outline mandatory takeover rules, forcing the buyer to offer the same price to all shareholders, is certainly a positive, if overdue, initiative.

The legislation on Sims (Società di Intermediazione Mobiliare) promises to uproot restrictive practices in market making and improve liquidity in the equity market.

Finally, the privatisation of the banking sector, now conceivable, thanks to the Amato law, should proceed with more vigour.

Early initiatives do not bode well. The proposed creation of two large banks in Rome and Milan indicates how issues of political control still dominate over considerations of competitiveness and efficiency.

The merger of institutions with largely overlapping geographical and product specialisations simply illustrates the old logic of reducing competitive behaviour in order to protect established interests.

For more competition among domestic institutions, rather than such anti-competitive solutions to protect their inadequacies, are necessary to regain lost ground.

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WOULD YOU ASK AN AMATEUR WHICH ONE TO CHOOSE?

Investment banking is becoming increasingly important with the arrival of new domestic and foreign players, reports Haig Simonian

Bank guards its independence

IF it were in the UK, it would be a partnership. In France, it would be a "banque d'affaires". But in Italy, Akros, the investment bank created in February 1987 by Mr Gianmario Roveraro, is something of an exception.

A soft-spoken banker who previously ran IMI's Sige merchant banking subsidiary for 12 years, Mr Roveraro, 54, explains the thinking which prompted him to start up the new entreprise.

"If a banque d'affaires is not independent in terms of its shareholding structure, it can't remain independent in its business", he says. So, unlike many of the new merchant banks which sprang up after the Bank of Italy liberalised the market in the mid-1980s, Akros is neither financially linked, nor even closely identified, with any one master, public or private.

The intention was that no single shareholder should have more than 10 per cent of its equity, which was originally to be L100bn. However, Mr Roveraro's reputation, based partly on his own, unusually low profile style, triggered much more interest than expected, and the blueprint for 10 shareholders with 10 per cent each had to be revised.

"We had more interest than we expected. But although we decided to close with a higher figure than planned, we didn't want to exceed L250bn," he says.

As a result, the company, which now employs about 140 people, has three types of shareholder. They start with eight groups which hold L10bn stakes each, and range down to others with just 0.5 per cent of its equity.

Among them are not only some of Italy's biggest private and public-sector entreprises, including IRI, Fiat, Ferruzzi and the De Benedetti group, but a string of smaller names.

While the interest in taking stakes was a comforting vote of confidence, the need to provide a return on Akros's higher-than-expected capitalisation has placed an additional burden on its profitability.

So far, the company has produced good, if not stunning, results, with net earnings rising by 31 per cent to L17.4bn in 1989. But servicing its L250bn capital base at a time of bull rather than bear markets will be one Mr Roveraro's biggest challenges in the future.

Guarding its independence will be another. Despite keen interest from banks, the temptation to include more than three financial institutions as shareholders was resisted. Too many banks could have presented regulatory problems with the Bank of Italy. Moreover, Akros wanted to restrict the list of banks to those which could also provide worthwhile business links.

Getting some of the big industrial groups to accept a ceiling on their stakes also required the keenest diplomacy.

"We didn't want any shareholder to think it had some sort of priority on account of a bigger stake", Mr Roveraro says.

With much of 1988 devoted to getting the business running, it was only in 1989 that Akros started operating at full tilt.

The business now encompasses a range of activities including broking, treasury services, fund management, property, venture capital and, latterly, even insurance, all conducted through a complex

PROFILE: AKROS

network of subsidiaries. The group is already active in the equity, and especially, fixed-income, markets, with foreign institutions the most prominent clients.

Although its capitalisation and trading volumes would allow it to participate in Italy's select band of primary Government bond dealers, it has not so far attempted to join.

"When primary dealers have enough advantages over others in the market, it's something we would not exclude", says the scholarly and ever-cautious Mr Roveraro.

Meanwhile, currency and interest rate swaps, running at L4,700bn and L1,900bn respectively in 1989, have provided ample treasury business. This year, he hopes they will reach L5,500n and L2,800bn respectively.

Gianmario Roveraro: innovator with low-profile style

However, it is Akros's venture capital and merchant banking activities which have captured most attention this year. In July, it announced a complex transaction to restructure Parmalat, the leading Italian dairy products group, leaving it with a 5 per cent stake. Akros already has minority holdings in Gruppo Acqua, Sambonet and Vallardi Editori, companies operating in the environmental protection, cutlery and publishing respectively. Many more transactions are said to be on the way, with a least two letters of intent in the bag.

Quitting an established and respected house like Sige to set up a new business was no easy decision. Rather than stemming from a major boardroom clash or conflict of interests, it derived from his belief that any subsidiary of a major group needs a clear idea of its parent's strategy before going into business.

While full of praise for IMI, Mr Roveraro suggests that such wishes were not always fulfilled in his case. As a result, his own ability to give clear direction to others was sometimes compromised.

"I decided to leave IMI without having a clear idea where to go", he says. While joining a big banking group could have been one option, the same desire for a clearcut strategy – and especially for participation at the highest level of decision making – persuaded him to start from scratch. "If this were an Anglo-Saxon country or Germany, where the law allows it, Akros would be a partnership", he says. "For it's the partnership concept which underlines our thinking."

That allows both independence and direct financial involvement for top executives. However, Mr Roveraro denies that money was his key motive. As matters stand, Akros runs a five-year stock options scheme.

"I'm a shareholder, along with the three others from Sige who set up the company with me", he says.Much more important was the desire to provide independent and high quality advice. ,Thus the new venture's name had to reflect that aim for excellence. "We had already decided not to use personal names. So we wanted something short, easily prononcable, and that would nevertheless conjure up a certain mystery." Akros, stemming from the Greek word acropolis – a fortified citadel – is it.

Off to a flying start

OF all the foreign investment banks which have recently come to Milan, few can claim to have got off the ground quite as fast as Schroders, the UK merchant bank best known for its mergers and acquisitions (M&A) business.

Run by Mr Panfilo Tarantelli, the new Milan subsidiary has admittedly had a head start. Schroders itself already enjoyed a good reputation in Italy, especially in financial services deals. The bank had also made a name through Schroder Associati, the venture capital operation run by Mr Paolo Collona and Mr Mario Carlo Ferrario.

Its L100bn Italian Venture Fund has already notched up a number of transactions, notably at Cantieri Riva, the luxury powerboat manufacturer, in which it sold a majority stake to Vickers of the UK earlier this year.

For the time being, the corporate finance and venture capital arms are cohabiting pending Mr Tarentelli's move to premises large enough to accommodate his growing corporate finance team. It now compromises three professionals in Milan and , along with a like-number of three colleagues who regularly visit from London.

Originally at Warburg , where he worked on southern European capital markets business, Mr Tarantelli moved to Schroders in 1986 to help establish its European corporate finance group, which now has 28 professionals.

The first offices had been opened in Madrid and Milan as part of a strategy of "attacking Europe from the south" and because it was easier to get involved in big-ticket M&A business in Italy and Spain.

As an Italian, his native market he finds his native market particularly attractive. In one of its first deals the bank advised Mr Jody Vender on the sale of a stake in Sopaf, his family banking operation, to Kidder Peabody of the US.

Although relatively small, the transaction provided a valuable boost in terms of contacts and credibility, according to Mr Tarantelli – "by using Schroders, Sopaf drew attention to the fact that we had something to add."

But it was Schroders' role in last year's sale of a key stake in Credito Bergamasco, the highly-profitable Bergamo-based bank, to Crédit Lyonnais which really brought it into the limelight. There was some initial surprise at a UK merchant bank becoming involved in a $400m investment by a huge French State-owned bank in a north Italian regional institution.

Schroders' participation was a spinoff of its original Italian strategy of developing a presence in the equities market. However, that gradually gave way to a greater stress on corporate finance, and especially M&A business, in sectors of the market which local institutions had tended to overlook, Mr Tarentelli says.

Banking and insurance were uppermost, he says. The equity entree provided the key to various M&A situations, including "Credito Bergamasco was one of them."

"What we did at the time was really study the banking sector from the outside." Having calculated that Credito Bergamasco's true worth was at least twice its market capitalisation, Schroders even toyed with the idea of bidding itself as a principal before finding a willing buyer in Crédit Lyonnais.

Because of the bank's complex structure, the Bergamasco deal involved tricky negotiations. An existing shareholders' pact had prompted the market to believe the bank was immune from takeover and to price it accordingly.

PROFILE: SCHRODERS

Schroders' big banking transaction of 1988 was to advise Cassa di Risparmio di Roma, Italy's second biggest savings bank, on the purchace of a majority stake in Banco di Santo Spirito.

This too required lengthy number-crunching, although this time it had to deal with a very different ownership structure. While the Rome Cassa is a publicly-owned savings bank, Santo Spirito was majority-owned by IRI, Italy's big State-owned holding company. "The reason we got involved was that we had a good relationship with IRI", Mr Tarentelli says. "They were in the process of doing a deal with the Cassa, and we came in as advisers." That opening helped the bank win further business in Rome most recently in advising the Rome Cassa on buying the shares in Santo Spirito it did not already own.

Panfilo Tarantelli: "attacking Europe from the south."

Mr Tarantelli refuses to comment on whether Schroders also had a hand in the latest project to create a "super-regional" bank in central Italy by merging the amalgamated Rome Cassa and Santo Spirito with Banco di Roma, one of Italy's three State-owned "banks of national interest."

But he readily talks about Schroders' role in completing the Cassa-Santo Spirito deal. In a step unprecedented in Italian corporate finance, the Rome Tribunal, which supervises the legal side of local acquisitions, has appointed Mr Tarantelli to act as one of the three *periti* (experts assessors) who act as specialist advisers on the valuation process.

Mr Tarantelli sees his personal involvement as a breakthrough, indicating a growing awareness by the Italian legal authorities of the need to take market values, and not just book values or factors like assets or deposits, into account in sanctioning a takeover. Despite the general increase in Italian M&A business, Mr Tarantelli thinks Schroders will probably continue to concentrate on the financial services sector. "There's a heck of a lot going on. We are in contact with a number of banks which might take advantage of the Amato law", he hints. However, the team is also looking at certain other industries, notably chemicals, food and transportation.

Schroders has already played a part on the chemicals front through Wertheim Schroder, the US investment bank in which it has a 50 per cent interest.

The New York house has worked closely with Montedison on its big US purchases, and has also been helping the Ferruzzi group, Montedison's parent, in this autumn's merger between Montedison and Ferruzzi Agricola Finanziaria, the company which holds Ferruzzi's agro-industrial interests.

However, it has been Enimont, the public-private chemicals joint venture in which Montedison and Eni, the state-owned energy and chemicals concern, are the main shareholders, which has probably kept it most active of late. The bank's precise role in the complex battle between the two erstwhile partners in Enimont remains a matter for conjecture. But, as in the Banco di Roma deal, there may be more to its presence than meets the eye.

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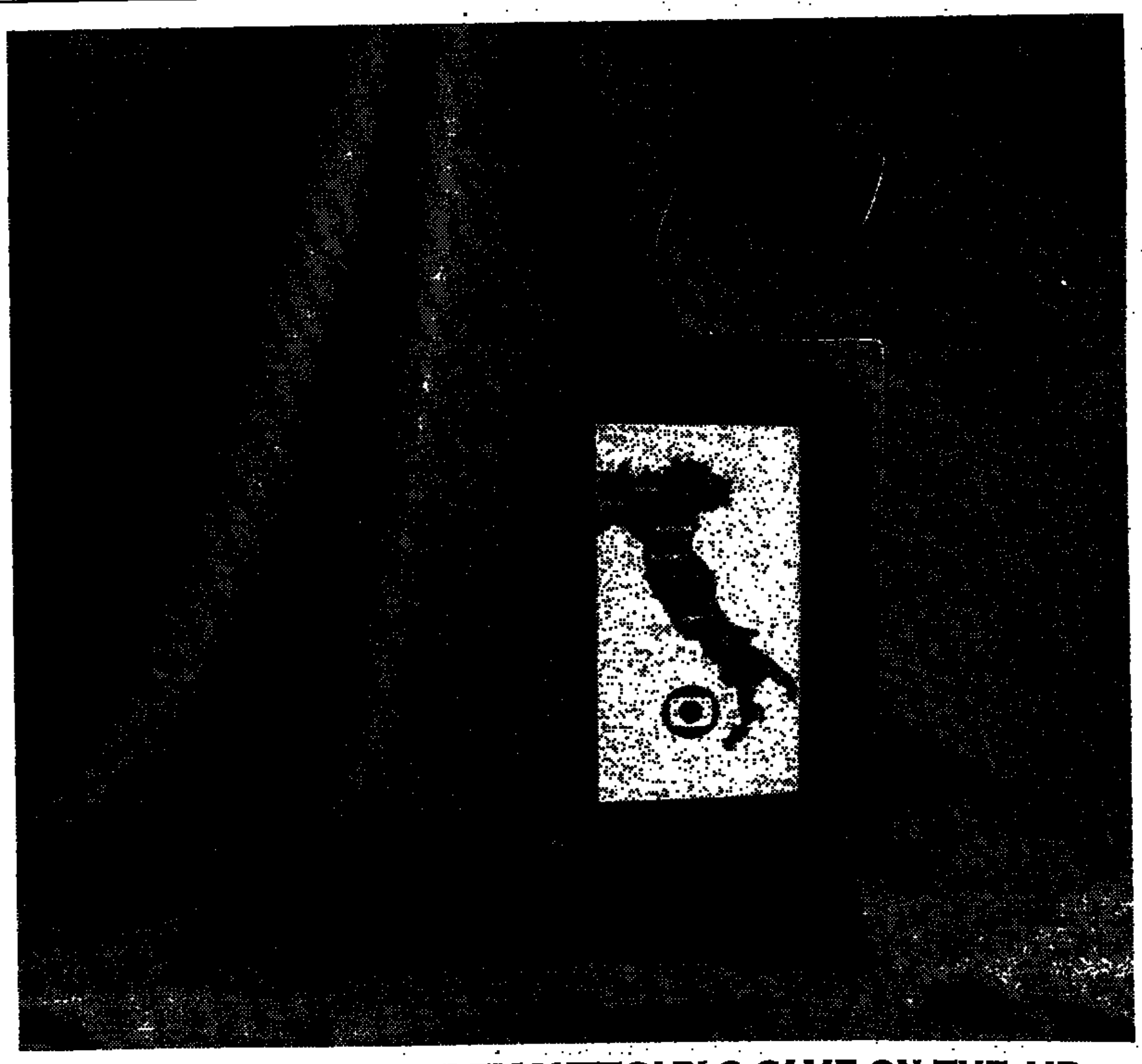

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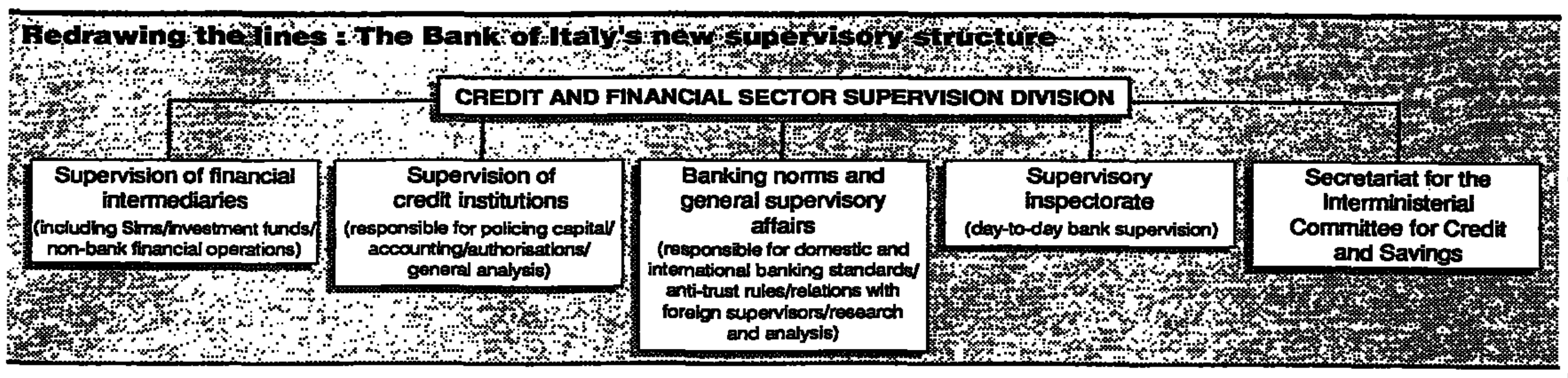
Supervisory responsibilities have grown as barriers have come down and opportunities increased.

Haig Simonian looks at the Bank of Italy's changing role

Redrawing the lines : The Bank of Italy's new supervisory structure



A closer watch over the banks

LAST month, the Bank of Italy announced a major restructuring of its supervisory division to prepare it for a number of new tasks ahead and attune it to various shifts of emphasis in its continuing day-to-day role of supervision.

Although the changes will not take full effect until the beginning of February, they are already making themselves felt among the central bank's supervisory staff as responsibilities are re-allocated and new activities defined.

Taking a greater interest in the stock exchange is the first of the new functions being assumed. Under a long-drawn out compromise finally agreed earlier this year, the Bank of Italy will share supervision of the Societa di Intermediazione Mobiliare (Sim) – the country's new breed of broker, fund manager and corporate finance house – with Consob, Italy's *stock market watchdog.*

The precise workings of the arrangement have still to be put to the test. However, under the agreement drawn up, the central bank will be responsible for supervising the new institutions, in which banks are expected to play the major part, from the prudential point of view.

Meanwhile, Consob will have the job of regulating the Sims from transparency and investor protection angles.

The arrangement followed a tough behind-the-scenes battle between the two regulatory bodies – each of which argued it should have full responsibility for overseeing the Sims – while the Sims law was being drawn up. However, such dual supervision already exists in the case of Italy's unit trusts, where both the central bank and Consob are involved.

Nevertheless, senior officials admit that the Sims will throw up sizeable new challenges until practical, rather than legal, supervisory demarcation lines are drawn up. "It will create serious problems", says one official.

Keeping tabs on the activities of a host of financial services operations in non-bank areas such as leasing and factoring is the second of the planned new activities behind the Bank of Italy's supervisory restructuring.

At present, a leasing or factoring company owned by a bank is regulated as part of the central bank's normal coverage of the parent institution.

But such supervision does not embrace the many non-bank financial operations which have been sprung up in recent years from companies outside the banking sector, and *which currently escape supervision* by any official body.

A law subjecting non-bank subsidiaries to mandatory supervision by the central bank has still to be enacted, although the necessary legislative changes are widely expected in parliament.

Meanwhile, the central bank has taken the plunge and rejigged its own regulatory division as a preparatory measure.

Italy's new antitrust law passed earlier this year has also spurred a host of changes, adding to the responsibilities faced by the central bank in its day-to-day supervision of Italy's financial institutions.

For the first time, the country now has tight rules defining ownership and controlling competition. "In reality, we have new functions under this law", says Mr Giovanni Carosio of the Bank of Italy's supervisory division. Under the new arrangements, the central bank will not only have to consider whether the owners of a bank are "fit and proper" per*sons , as it already does. It will* also have to consider the antitrust aspects of their ownership.

For the first time, the country now has tight rules defining ownership and controlling competition. The new regulations will also involve the Bank of Italy even more closely in the question of bank takeovers

The new rules will also involve the Bank of Italy even more closely in the question of bank takeovers ,with judgments now having to be based both only on prudential considerations and on monopoly own*ership grounds.*

More general changes are also being made in the workings of the central bank's mainstream supervisory activities to reflect the move in emphasis away from the control of specific areas of a bank's activities – such as permission to open new branches – to a broader type of supervision based on a wider interpretation of a credit institution's financial fitness.

Although the new system means that most of the established regulatory tools and procedures will continue to be used, the change comes in the way the information they reveal is treated. The aim is to gain a broader impression of the current health and standing of Italy's financial institutions, explains Mr Carosio.

Rather than splitting up different regulatory responsibilities into independent departments, the Bank of Italy's supervisors will now try to pool their information more effectively to form a wider *impression of a bank's financial* position against which future supervisory judgments can be made, he explains.

While many activities will now be combined, setting and policing banking standards, formerly carried out within the same group, will now be divided into two distinct functions.

To ease the burden of all these changes on the Bank of Italy's headquarters staff and allow them more time to concentrate on the country's biggest banks, there will also be a shift in the relationship between its supervisory staff in Rome and their colleagues at the bank's 95 branches around the country.

Not all the branches are big enough to include supervisors of their own, but under the new arrangement, responsibility for supervising around 800 of Italy's 1,100 banks will largely rest with staff in the main branches in the field, rather than headquarters.

Only in a crisis would responsibility shift back to the team in Rome. Otherwise, the headquarters personnel will concentrate on the country's 300-odd biggest banks. Moreover, an intake of new staff will mean that the ratio of banks covered per analyst will be altered to enable the team, currently around 50, to concentrate on a smaller number of banks each.

Apart from new domestic laws, the future also holds the prospect of much greater international co-operation between central bank supervisors. Foremost among the developments is that of "home country con*trol", which will define pri*mary responsibility for regulating a bank's operations.

While the Bank of Italy's reorganisation is already taking into account the new challenges, last year's discovery of almost $3bn in unauthorised letters of credit at the Altanta branch of Banca Nazionale del Lavoro revealed just how eas*ily some problems can be over*looked.

The Bank of Italy's staff admit that there will be "substantial technical obstacles to overcome" under the concept of home country control. But they hope that organisational changes of the type currently being put through will minimise such hazards in the years ahead.

Green light for growth

WITH the forthcoming rationalisation of banks and the opening of new branches, the old adage that Italy is "overbanked and underbranched" may soon be outdated.

The Bank of Italy used to operate a rigid system whereby applications for new branches would be lumped together and considered in batches every four years.

Its new rules, which came into operation at the end of March, simply require a bank to fill in a standard form for each new branch it wants to open.

If the applicant hears nothing to the contrary within 60 days, it can assume that the central bank has no objection to its plan.

Since liberalising the rules, there have been more than 2,000 applications for new outlets, says Mr Roberto Pepe of the central bank's supervisory division. But while the number has come as a surprise, it has not amounted to the avalanche expected.

For, rather than going for nationwide coverage overnight, the requests so far show that:

- Banks are concentrating on setting up new branches in their existing regions, or neighbouring areas, rather than expanding well away from home.

Thus,rationalisation and improvement of established networks by filling in gaps appears to be the priority at present. The emphasis on expanding in areas of existing strength "may also reflect the fact that some banks have not been that successful when it comes to growing away from their home bases," he notes.

- Applications for new branches far away from a bank's established base have almost invariably focused on Milan and Rome.

Smaller provincial banks in particular have asked to set up shop in Milan in order to be nearer the bourse and in Rome to gain closer contact with the political scene - and probably a dash of prestige as well.

Market psychology has played a part

- Foreign-owned Italian banks, such as Deutsche Bank's Banca d'America e d'Italia subsidiary, and Credito Bergamasco, in which Crédit Lyonnais has a big stake, have also sought new branches.

However, foreign banks have been generally absent.

Despite the fact that 1992 is just around the corner, the trend among the foreigners still appears to be one of contraction rather than growth.

So far, the Bank of Italy has not turned down any applications from the country's biggest commercial and savings banks.

The rejection rate has been much higher among smaller institutions, however. Figures for the three months to end-June show refusals rising in almost inverse proportion to the size of bank concerned.

The Bank of Italy's predominant consideration has been to avoid an "overshooting" of the *type that took place in Spain* following the relaxation of branching rules there in the 1980s. Rather than opening the flood gates, the authorities *have been concerned* to maintain an orderly pace of new openings in order to avoid the danger of heavy rationalisation thereafter.

According to Mr Giovanni Carosio of the supervisory division, the central bank uses a number of criteria in considering requests for new branches. Quality of management remains as important today as ever.

"If a bank is badly run, letting it grow will only increase the problems", he explains.

Another criterion in judging applications has been whether the banks involved can sustain the growth they plan.

The latest applications show that some small local banks have clearly been suffering delusions of grandeur requesting new outlets clearly out of proportion to their existing size.

So far, the Bank of Italy's supervisors have been pleased that banks have generally held bank from inundating them with applications.

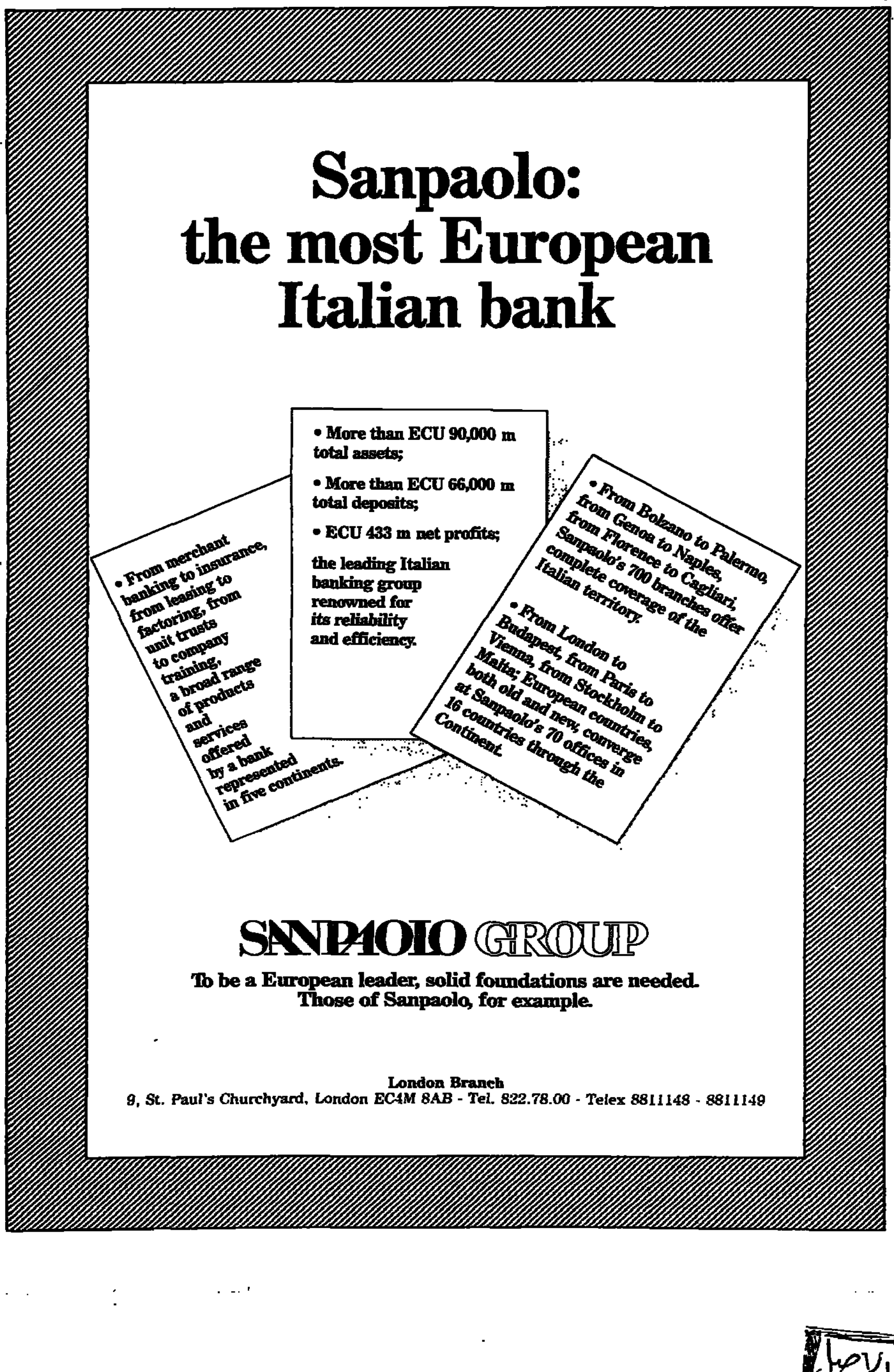
The restraint is partly due to the central bank's request that applicants only seek approvals for branches that banks seriously intend to open within the next 12 months.

Market psychology has also played a part – "now the banks know they can apply any time they want, they've tended to send in requests in small batches, based on what they think they'll be able to achieve, rather than what they *think we might allow*", *notes* Mr Pepe.

Branching away: applications and authorisations for new outlets*

Size of applicant, as defined by the Bank of Italy	Number of branches requested	Branches requested: % of total	Total of rejections	Number rejected, % of total	Number authorised so far*	Number authorised, % of total.	Number still awaiting a decision	% of total awaiting a decision
MAJOR	198	12.2	0	0	95	14.5	103	15.8
BIG	38	2.3	0	0	5	0.8	33	5.1
MEDIUM	170	10.4	10	3.1	74	11.3	86	13.2
SMALL	452	27.8	63	19.4	228	34.9	161	24.6
MINOR	339	20.8	104	32.1	116	17.8	19	18.3
RURAL & OTHERS	430	26.4	147	45.4	135	20.7	148	22.6
TOTAL	1,627	100	324	100	653	100	650	100

*Figures to June 30, 1990; source: Bank of Italy.



Italy's government bond market has been one of the financial success stories of this year, with foreign and domestic investor interest on the increase. But further steps are still necessary to avoid giving up the ground already won, reports **Haig Simonian.**

Thinking the unthinkable

Spurred by the surge in trading volumes, and growing international interest in Italian government bonds, dealers are starting to think the unthinkable. Could the government's first 10-year fixed rate issue be made before the end of this year?

A NEW expression has caught on in the arcane vocabulary of Italy's government bond market. Taking their cue from this years football World Cup, dealers are starting to wax lyrical about "Italia 2000," rather than *more traditional talk* of spreads and hedges.

The expression does not refer to a belated, but all out, push on the part of the authorities to stage a future round of the Olympic games – although such last minute enthusiasm would be wholly in character.

Rather, it focuses on the possibility that the Treasury may manage to develop its current strategy of pushing out maturities on fixed rate government debt to an unprecedented and until recently unconceivable 10-year span.

Seven-years is the current *maximum* for fixed-income Italian government paper. That in itself is a relative novelty, with the first issue being made as recently as last May.

Moreover, the future for such deals seemed distinctly bleak at one point this summer, when the Gulf crisis overclouded the market and investors fled from longer-maturity fixed-rate bonds in droves.

But with confidence now restored, and a new seven-year issue made at the end of October – the idea of "Italia 2000" – which refers to the expiry date of any putative 10-year bond this year – is coming back into vogue.

The thinking reflects the upbeat tone which has returned to the market *after its* severe bout of nerves in August. Among other incentives have been:

■ *The rise* in the number of banks wanting to join the screen-based club of "primary dealers," making markets in Italian government securities.

Iccrea, the central deposit institution for Italy's rural savings banks, Banca del Salento, a medium-sized bank based in the Puglia region of southern Italy, and Banca America Italia (BAI), the Italian subsidiary of Germany's Deutsche Bank, are just three of the institutions queuing to join the current 20 primary dealers in the screen-based *market*.

Others interested include Euomobiliare, the merchant bank which is majority owned by Midland Bank of the UK. Quite what is happening with the new applicants is unclear, with conflicting reports as to the speed of their admission. *However, there is no doubt* that a number of banks have shown that they meet the Bank of Italy's criteria for admission, and membership can only be a matter of time.

BAI's participation would be particularly welcome, as it would add a further foreign *touch to a market which* remains largely domestic, despite the fact that it is the world's third-biggest pool of government bonds.

Although very much an Italian bank, its German parentage and Deutsche Bank's existing commitment to other *government bond markets* has re-inforced the emerging role of Italian bonds as a new instrument for foreign investors.

The same can be said of Morgan Stanley, the US investment bank, which has just been admitted as one of four *new dealers, taking the total* to well over 200. Although it will concentrate its Italian trading presence in London, its decision to set up a new Italian subsidiary alongside its existing Milan representative office confirms the growing foreign interest in the market.

■ Slowly – too much so, for some – steps are being taken to improve liquidity, and particularly to remove structural *barriers to trading.*

None is more important than changes to the operation of withholding tax, which is currently levied at source. Although eligible non-residents are theoretically entitled to reclaim the amounts withheld, refunds are unheard of. That *may change given the latest* signs that the Treasury is considering a new regime.

Concerned about the dangers of coupon-washing, the authorities are unwilling to follow the example of most other leading bond markets and drop withholding tax altogether for eligi*ble non-residents.*

However, plans are now afoot to introduce a new procedure which will allow speedy repayment of withholding tax where due, dealers say. Some are still sceptical, but the new scheme may even be introduced as part of the new budget *package for next year.*

■ The primary market itself has developed as more issues get listed on the screen-based system and the number of players increases.

Not only have traders become more active, but volumes have also been lifted by *the fact that bonds now move* straight onto the screen-based system. And, as older issues expire, the proportion of the total market being covered by the market makers is rising.

This year in particular, many seasoned issues, often of small size, have been replaced on maturity by newer and much bigger "benchmark-type" deals, which lend themselves much more easily to trading in large *volumes. The trend will* continue into next year as "1991 looks very much like 1990 in this respect," according to one dealer.

■ All issues are now made on a tap basis, meaning that they can regularly be reopened to create just the sort of big, liquid pool of bonds that large institutional investors require.

"It makes a big change from the piddly issues of the past, which lost all liquidity within *days as* retail investors snapped up the paper and sat on it until maturity", notes one trader.

■ All issues are now made through an auction system. That has simplified issuing procedures and eliminated the extraordinary situation earlier *this year, when the market* regularly bid for many times more bonds than were on offer, safe in the knowledge that only a fraction of the bids would be fulfilled.

As a result, new issue auctions now give a much more accurate picture of the true *state of demand.*

In the auctions at the end of October, the latest seven-year issue of Buoni del Tesoro *(BOTs) was almost two times* over-subscribed, while demand for five-year floating rate paper was 60-70 per cent above that available. Compare that with the absurdities of the previous system, whereby paper was over-subscribed by a record 91½ times in May.

■ The primary dealers are now looking into the possibility of allowing inter-dealer brokers (IDBs) to be set up. The creation of IDBs, commonplace in other markets, could provide a further boost to liquidity.

The result of all these changes has been to push up average daily volumes on the screen-based market from under L1,000bn in the early months of this year to L3,5000bn – and occasional peaks of over L4,000bn – now.

However, it has not been an entirely smooth ride. The Gulf Crisis in August – coming hard on the heels of growing doubts about the governments ability to tackle the budget deficit – dealt a heavy blow to investor confidence and required decisive action by the *Bank of Italy to stop rates* going through the roof.

The central bank swiftly responded by pumping in *liquidity to restore confidence,* which had been dented by growing doubts about the international political situation in general and its likely repercussions for the oil-dependent Italian economy in particular.

Starting on 15 August and stretching into early Septem*ber, the Bank of Italy flooded* the money markets – "short-run interest rates declined very steeply, creating the incentive for banks and other participants to support the market over its most critical phase," says one banker.

"Once that sudden moment of fear had gone, trading volumes continued on their previous upward path," he adds.

With the tension over, the markets ability to overcome the August troubles is widely seen as a further proof of its growing maturity – "compared with the crisis of 1987, when liquidity dried up for months, this time it was just a matter of days," one dealer remarks.

Yet the period has had its casualties, particularly among those foreign investors who were just starting to dip into Italian government bonds. *"Some of the investors who* moved out did not come back," notes one dealer specialising in foreign clients. "The result was that they completely missed the rally of October."

"There is now reduced involvement by foreigners in terms of dealing volumes, but *the numbers of participants is* still rising," reckons a colleague.

"The decline has come mainly from professionals and speculators. Genuine investor interest is still on the increase."

The rise is most evident among those foreign investors who have been following the market from the beginning of this year. "Those who have been *active for some* time are now becoming more so as they gain experience of the market. Increasingly, Italian bonds are not just being seen as another run of the mill diversion of investment funds, but as instruments worth trading in their own right."

Despite the more bullish mood, there is a consensus that a number of improvements are still required to make Italian paper more competitive with its better-known international counterparts.

Action on withholding tax tops the list. The decision not to exempt eligible non-residents is widely seen as a mistake.

"In that respect, an opportunity has been missed," says one leading participant, who thinks that the governments concern about coupon-washing is exaggerated.

*Introducing a viable re-im*bursement system is a poor second best. "There are investors who would immediately file for repayment," according to one trader. Hence mistakes or delays in making repayments would trigger a severe loss of confidence in any new procedure.

Futures and options contracts on Italian government bonds are another important requirement – although one which still seems some way off.

There were signs earlier this year that the London International Financial Futures Exchange (Liffe) was looking into creating new contracts on a notional long-term fixed rate bond and on three-month Eurolira deposits.

However, such interest *may* have moved lower down the list of priorities after the disappointment on withholding tax. Moreover, Liffe itself, which would want to be convinced that there was adequate liquidity to warrant any new contracts, may now be concentrating its fire *on* new Ecu products.

Technological changes may also be necessary in the screen-based primary dealers system in order to incorporate more issues and participants.

Earlier this year the system appeared to have hit a technol*oghical ceiling with 20 primary* dealers, as any increase would mean leaving less room for listing more bonds.

Quite how matters have been resoled remain unclear. However, the signs are that Reuters, which is currently responsible for running the system, will not *have its* contract renewed beyond its expiry at the end of next year.

Dealers say that the business is *likely to go* to *Societa* Interbancaria Automazione (SIA), the company which already runs the countrys money-market dealing network.

SIA is making a strong, and politically suppported, push for the contract to run the screen-based market. It also has the advantage *of indirect* support from the Bank of Italy itself, which has a small stake in the company. *Should it win, Reuters would probably* be retained to disseminate dealing information outside Italy.

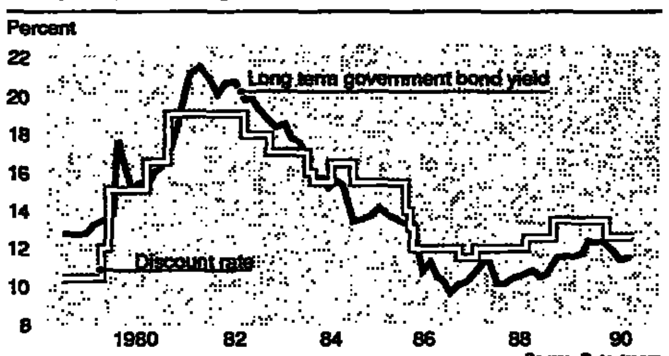
But more important than all these factors in determining the future of the markets are Italys economic fundamentals and notably sentiment on the budget deficit.

Brining the lira into the narrow fluctuation band of the European Monetary System and abolishing all remaining exchange *controls* were decisions which spurred confidence in economic policy, boosting the bond market in its wake.

That bubble has been *som*what deflated by subsequent political squabbling, the decline in the value of the lira from its peaks earlier this year and doubts about the governments willingness to get to grips with the deficit after all.

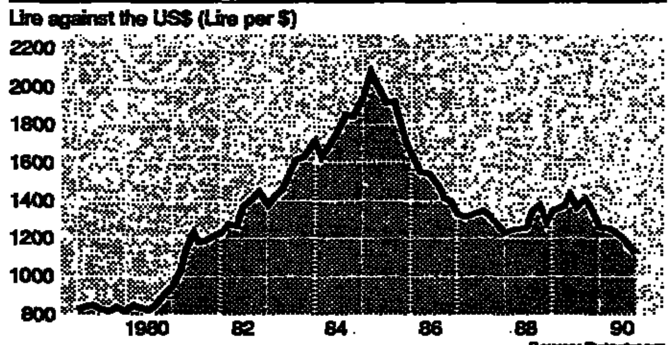
It is now up to the authorities to ensure that the bubble does not burst.

Interest rates



Carlo Azeglio Ciampi, governor of the Bank of Italy: he took swift action in August to restore confidence.

Exchange rate



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Consolidated Highlights at March 31, 1990

	\$ millions 1 \$ = 1,249 ITL
OUTSTANDING LOANS	29,675
ASSETS UNDER MANAGEMENT	15,015
SHAREHOLDERS' EQUITY	3,991
ALLOWANCES	783
NET INCOME	413

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CUNI-D

Primary dealer profile

More than a one-shop operation

HAIG SIMONIAN on the operations of J P Morgan

AS THE first, and so far only, foreign bank to join the exclusive screen-based market-makers club in Italian government bonds, J P Morgan has often been in the spotlight in what remains a predominantly domestic market.

Yet the bank wastes no time in defending its commitment to Italian government paper since officially becoming the 20th primary dealer on May 15 this year.

"We joined in order to follow up our policy of being active in all major bond markets. In Italy, we try to do that as a primary dealer in order to improve the service to all our foreign and domestic clients.

And to make money," says Mr Hendrik van Riel, J P Morgan's treasurer and general manager in Milan. Despite the marketing talk, the bank has already developed a strong presence in government bond markets around the world, with the Milan announcement meaning that it is now a primary dealer in six of the seven G7 countries.

Primary dealership status in Italy – as opposed to that of being an ordinary dealer, of which there over 200 – means a bank is committed to making markets in at least eight of the 50 bonds and 10 bills comprising the screen-based system. As matters stand, J P Morgan itself makes markets in 20 longer-term securities.

The upsurge in interest in Italian bonds has been reflected in growth at the bank, with three traders now on the desk, along with two sales staff. Meanwhile, Ms Vincenzina Santoro, J P Morgan's resident economist and head of research in Milan, provides specialist support on the markets and the Italian economy in general.

A further increase in numbers is now being planned, with a fourth trader due to join soon, says Mr Montano Nissotti, the head of bond trading at the Milan operation.

The emphasis on bond trading – and treasury products in general – partly reflects Mr van Riel's own strong treasury background. Before moving to Milan last year, he was treasurer and head of securities trading at J P Morgan in London, and previously occupied similar positions in Brussels and Brazil. Hence there is also a sizeable money-market team at the bank, with a particular emphasis on asset-liability management. And as "a player of reference for the lira and lira forwards," the bank also runs one of the biggest foreign exchange trading operations of any foreign house in Milan.

However, Mr van Riel, a genial Belgian, is anxious to avoid the impression that J P Morgan is a one-shop operation in Italy – "we are also very active as a capital markets house, issuing Eurobonds for major Italian borrowers." The bank holds the record for leading the largest deal currently trading on the Euromarkets.

The terms and nine-year maturity of its $1bn Republic of Italy bond, issued in September, mean it is fungible into the 10-year $1bn deal for the Republic J P Morgan led last year, creating a mega-package. One floor down from the treasury are the bank's growing corporate finance activities.

Although still largely conducted out of London, cross-border transactions are becoming "an increasing part of our business", says Mr van Riel. Among the transactions being covered is the current push by STET, Italy's huge telecommunications group, to buy into ENTEL, its Argentine counterpart. Such activities often oblige him to wear two hats on his frequent trips to see the authorities in Rome. One is as a treasury man, keen to see continuing action to improve the running and liquidity of the markets. The other is as the bank's country head, helping to clear the path on other deals. So far, it seems a decent fit.

Abbey National chases rich pickings in Italy

Peninsula campaign takes off

With Italian banks taking anything up six months to process mortgage applications, and property prices rising sharply, foreign lenders are enthusiastically eyeing the Italian market for future growth

AFTER opening offices in Spain and France, Abbey National, the UK building society-turned-bank, has decided it is Italy's turn to "get the Abbey habit," (to quote its UK slogan).

Although the fledgling Italian operation still trails its Spanish and French counterparts in terms of size, it plans to expand into many of the country's biggest northern and central towns in the next two years. Offices in Rome, Turin and Bari are due to open next January, followed by another four cities later in the year and more in 1992.

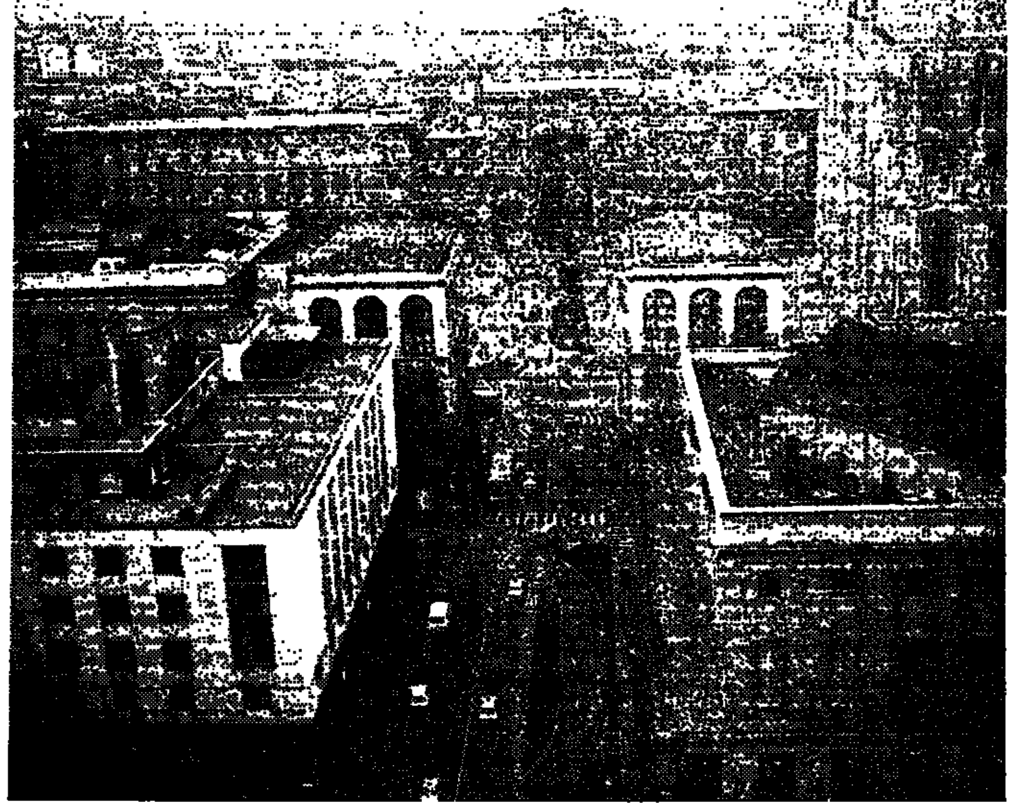
Italy offers rich pickings. With an owner-occupancy rate of around 65 per cent – much the same as in the UK – and a very high personal savings ratio, the opportunities in mortgage lending are high, says Mr Richard Allman, an Abbey National manager on secondment to the Italian operation.

Although still only about fraction the size of its £270bn UK counterpart, the Italian mortgage market is expanding rapidly. Surging property prices have obliged more would-be home owners to turn to borrow, rather than save the full purchase price, as in the past. Property prices have rocketed in much of northern Italy, with a 38 per cent leap in prices in central Milan alone.

Meanwhile, a more liberal operating environment has allowed even highly bureaucratic domestic banks, which currently account for about 90 per cent of the business, to market their mortgages more heavily. Despite the gradual awakening of the domestic banks, Abbey National thinks its mixture of innovative products, greater flexibility and superior speed will be enough to give it a sizeable slice of the market.

Speed is one of its main selling points. Italian banks are notoriously slow in processing mortgage applications. Delays of up to six months are not uncommon. By contrast the UK group says it can approve a mortgage within five days. Borrowing rules are also more flexible.

Although slightly more liberal now, Italian banks still tend to impose very rigid rules on borrowers. Until recently, no more than 50 per cent of the value of a house or flat could be lent, while repayments had to be made within just 10 years. By contrast, Abbey National has no borrowing ceiling and is willing to lend for up to 25 years, although most Italians prefer to borrow for 15-20 years, Mr Allman says.



Central Milan: residential property prices have soared this year by as much as 38 per cent in some prime locations.

So far, the company has stuck to straightforward capital repayment mortgages – the norm in Italy. But it is launching a UK-syle low cost endowment mortgage in conjunction with SAI, the private-sector insurer.

Complex financing arrangements, linked to multicurrency swaps in London, also enables it to offer one of the lowest-cost lira mortgages in Italy.

Foreign currency mortgages will also appear. Deutschemarks will come first, possibly to be followed by Ecus. And unlike some UK suppliers of foreign currency products, such mortgages will not be limited to top earners, says Mr Allman.

Italians have already shown some appetite for borrowing in foreign currencies. Istituto Bancario San Paolo di Torino – one of more sophisticated domestic banks selling mortgages – is believed to issue a high proportion of its mortgages in Ecus.

So far, business has been promising. The 10 professionals manning Abbey National's Milan branch have notched up assets of £21m in their first year – equivalent to the turnover at a very large UK branch, says Mr Allman.

Nor have assets come at the expense of quality, he claims. Although the company already has almost 700 borrowers, it has turned away over half as many again. "We're being pretty selective. We're not running up any single big debts, and we've already started to put money aside for provisions."

Profitability remains confidential, and the new outfit is still overshadowed by its opening costs. However, it is on target to breaking even within two years, according to Mr Allman.

Surprisingly few other foreign companies have so far set foot in the Italian market despite its potential. Citibank is active through its Citifin consumer finance subsidiary, while the UCB subsidiary of France's Compagnie Bancaire is also present.

More may be on the way, particularly from the UK. The Woolwich building society has recently set up an Italian entity. The operation is the first foreign subsidiary of Woolwich Europe, its recently-established holding company, which will be responsible for all the group's planned activities in continental Europe. The Woolwich's new Italian entity will be opening in Milan this autumn, and any further plans for Italy will probably have to await its results.

Meanwhile, the Halifax, the UK's biggest building society, remains coy about its European plans. "We are looking at a number of options at the moment, but can't give any details yet", says Mr Ian Lumsden, its assistant general manager for European operations. He says the company is concentrating on the key European markets by size and profitability – Italy, Spain, France and Germany.

An increase in numbers may oblige Abbey National and the other foreign groups already present to widen their product ranges. So far, it has shied away from deposit taking, depending instead on the local wholesale market for funds during its first six months, and more recently turning directly to its own London-based treasury for swap-based funding at rates under Libor.

"Deposit taking would be nice in terms of margins", agrees Mr Allman. However, it would also involve obtaining a banking licence from the Bank of Italy, and probably require a much larger scale operation to be worthwhile, he suggests.

Rather, the company's shorter-term aim is to gain greater control of its distribution channels. With Italians tending to choose a house first and then think about the finance later, estate agents are the main source of business for lenders.

Unfortunately for Abbey National, many are already contractually tied to domestic banks. Moreover, the discreet nature of the company's present Milan operation, tucked away in a quiet courtyard, means few random punters walk through the door. And matters are compounded by its decision to eschew advertising for the time being.

However, the company has just tied up a deal with the Casamercato group, which controls Italy's third biggest estate agency, to offer its mortgages through their offices. Contacts have also come through the trade, according to Mr Allman. Business has flowed from specialist finance houses, builders and property developers. And professional contacts have flourished following the arrival of Mr Giuseppe Salvi, Abbey National's Italian managing director, who used to work for Gabetti, Italy's biggest estate agency.

Despite the high commissions – Italians can be charged up to 10 per cent on a property deal, split between buyer and seller – and Mr Salvi's background in estate agency, Abbey National has not so far pursued the idea of participating directly in the real estate market.

That may become an option later. In Spain, its Cornerstone estate agency chain is already becoming increasingly familiar. But whatever the longer-term allure of having its own distribution chain, forging closer links with estate agents will remain its Italian priority in the short-term, the company says.

Even then, it will have to move fast. Whatever their current drawbacks, Italy's lethargic banks are beginning to gear up mortgage lending and Abbey National knows it cannot remain a specialised outfit offering just a limited range of mortgages for ever if it is really to grow in Italy. "We see a two-year window of opportunity", says Mr Allman. It will need to be nimble to make the most of it.

Haig Simonian

1989
Highlights of the year

The ordinary and extraordinary shareholders meetings of Banca Popolare di Milano, were held on 28th April 1990 and chaired by Prof. Avv. Piero Schlesinger (1,476 shareholders were present). During the extraordinary meeting, a number of changes to the Bank's Statutes were approved. Its Report and Accounts for the year ended 31st December 1989 (the 124th since the Bank's establishment) were approved by an overwhelming majority during the ordinary meeting.

As far as banking services are concerned, the positive results for the year show:

Customer deposits	ITL 12,040.1 billion	+17.6%
Total deposits (including banks)	ITL 20,425.2 billion	+20.4%
Funds administered (total deposits & securities held for banks and customers)	ITL 35,598.3 billion	+18.4%
Loans and advances	ITL 8,084.5 billion	+12.4%

During 1989, the notable increase in the Bank's operations continued in parallel with a widespread expansion to the territory it serves which resulted from the consolidation of Banca Popolare di Apricena (with 25 branches, mostly in Puglia). This expansion followed a similar merger with Banca Popolare di Bologna e Ferrara which took place in 1988.

The Bank also strengthened its international presence with the opening of the London Branch, situated in the heart of the City of London, and with the relocation of the New York Branch to new and more prestigious offices.

The first part of an increase to the share capital of the Bank was conducted very satisfactorily, producing an inflow of ITL 134 billion. To this amount, must be added ITL 66 billion resulting from the conversion into shares of warrants issued in 1989.

As a result of the increase in share capital and the allocation to reserves approved during the shareholders meeting, Banca Popolare di Milano's net worth increased to ITL 1,247.5 billion (+20.5%).

A rise in income, coupled with profits derived from the sale of minority participations (in particular the sale of the Bank's shareholding in Nuovo Banco Ambrosiano), produced an increase in the Bank's internal cashflow.

In fact, after having provided for extraordinary losses realised during the year (of which ITL 90.9 billion related to Bipiemme Leasing), a profit before tax of ITL 283.5 billion was recorded. After the deduction of taxes, a 32.1% jump in net profit to ITL 168 billion was achieved.

The shareholders meeting, while retaining ITL 77 billion for the Bank's reserves, also approved the distribution of ITL 66.5 billion from profits to pay a dividend of ITL 460 per share to the 144.6 million shares in issue (as against the ITL 525 distributed to each of the issued 104.3 million shares in the previous year).

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Franco Piro, chairman of the Chamber of Deputies' finance committee: good humoured despite the legislative obstacles.

Profile: Franco Piro, one of the politicians behind financial reform

Man with a thankless task

It has sometimes seemed a case of two steps forward and one step back in reforming Italy's antiquated stock markets. But clear action is now being taken, reports Haig Simonian

TALK about stock exchange reform and the name of Mr Franco Piro invariably crops up. An academic-turned-politican who chairs the finance committee of Italy's Chamber of Deputies, he is distinguishable for his bright polo-neck sweaters as much as the polio attack which left him handicapped in childhood.

Mr Piro, 42, often seems to be conducting a single-handed campaign to steer legislation through the whirlpools of the Italian parliament.

Never short of a *bon mot* to illustrate the problems of Italy's maze-like legislature, he has retained his good humour, despite the myriad obstacles he faces.

The problems arise from draft laws on insider trading.

"We have to make up for lost time," says Franco Piro

takeover bids and, most importantly, the new breed of financial institution, the Società di Intermediazone Mobiliare, already known by its cosy abbreviation "Sim".

They range from party political differences and conflicts between financial interests to broader cultural aspects of finance in Italy. Most recently, such obstacles have even provoked a strike by the floor traders on the country's stock exchange, bemoaning the slow pace of reform.

Many Italians, notably the Communists, see finance as a necessary evil compared with industry which they regard as inherently good.

"They don't understand that finance itself is a new industry", he says. But the political squabbles and harsher clashes between bankers and brokers in establishing the rules for Sims appear minor compared with the complexities of Italian law-making.

Mr Piro reminds visitors that while the French government produced three financial reforms in two years and thereby strengthened Paris as a financial market, it took the Italians nine times as long just to approve unit trusts.

However, he remains optimistic that the Sims law will enjoy a speedier passage, even though it has already been under the parliamentary microscope for around two years.

Continuity of Government has been very helpful. With Italy having enjoyed one of its longest periods of rule by a single administration, the complex committee work to consider the new proposals has undoubtedly been facilitated, he says.

Nevertheless, with equity business steadily slipping away to London, Mr Piro is very conscious of the degree to which his country has fallen behind its European partners in reforming its markets.

"We have to make up for lost time", he says. Living up to his self-confessed reputation as a parliamentary Stakhanovite, he notes that the finance committee, whose chair he assumed in October 1989, considered no fewer than 122 different amendments in the seven months leading uo to this year's summer recess.

Moreover, the fact that its meetings have been informally co-ordinated with some senior members of the Senate, Italy's upper house of parliament, means the legislation should face fewer problems once it comes to final approval, he says.

Certainly, some of the essential compromises on the Sims, notably on a transitional period for the new regulations and on a division of regulatory responsibilities, have already been struck.

For only when the Sims law is passed can attention be turned to other key aspects of financial reform – notably the new rules on takeover bids and insider trading that Italy so desperately needs.

Mr Piro sees no point in arguing about insider trading until the Sims law clearly defines what parties are covered by it.

Similarly, new codes for takeover bids are also dependent on the Società di Intermediazone Mobiliare law.

At a later stage, Mr Piro would like to see more reforms, particularly new rules to stimulate the establishment of pension funds, although that will need changes to Italy's tax system in order to allow higher tax-free payments for pension fund contributions – "at the moment, pension funds in Italy are called BOTs," he quips, referring to the short-term treasury bills widely bought by private investors.

"But while BOTs don't create wealth, pension funds *do*, and they nurture popular share ownership into the bargain."

Establishing closed-end funds for small companies is another pet idea. By getting together to create a fund for a limited period, Italy's smaller companies could tap the markets on the more favourable terms currently available only to their bigger rivals.

Futures and options, whose establishment should be accelerated once the Sims law

The area of futures and options are another of his targets

comes into force, are another of his targets.

Although currently not forbidden in Italy, one of the articles in the Sims legislation will clarify the current fuzzy legal position which has made such contracts so conspicuous by their absence.

Haig Simonian finds 1,000 uses for a tatty, old bank note

Marco Polo is not amused

WHAT better indicator of Italians' post-war transition from poverty to prosperity than their attitudes towards their national currency?

Paper money in Italy starts with the lowly L1,000 note, currently worth less than 50 pence, and a throwback to the pre-inflationary days when L1,000 bought rather more than just a ride on the Milan metro or a capuccino at the counter.

But instead of abolishing such low denominations, as other big European countries have done, the Italians seem particularly attached to their L1,000 bills.

However, as often happens in Italy, private fastidiousness goes hand-in-hand with public indifference. Many of the notes are so tatty as to drive the benign-looking Marco Polo, displayed on the front, into permanent retreat in China, or to provoke sighs from the Venetian Doges whose palace graces the reverse.

Although many contemporary Italians may envy the Venetian rulers' legendary riches, their current level of affluence already appears to have engendered a distinctly dismissive attitude to the L1,000 note.

It is so common to come upon tatty, dirty or crumpled examples as to stifle further comment. Much more evocative are the extraordinary number of L1,000 bills doubling up as makeshift message pads, creating a new language of communication by currency.

Billets-doux tend to predominate. "*Lucky, ti voglio troppo bene, Lia*" ("Lucky, I love you so much, Lia"), written in blue ballpen, is one of thousands of such examples.

"*Mery, ti amo tanto*" - pierced by a purple heart - serves much the same purpose, as does the message along the margin of one particularly tatty note, "*Katia + Luca = Love.*"

However, some messages convey a longer and more poignant tale. One terse recent example said "*Luca ti amo tanto, Sylvia, x x x,*" on the front.

But the bittersweet nature of love was clearly captured on the back, where the same hand had written, "*Luca non lasciarmi mai*" – Luca don't ever leave me.

Another, in red capitals written in a female hand, laments: "*Non tutti sono veri amici,*" ("Not all are true friends"), and adds: "*Vero Lino?*" – ("True, Lino?")

Not every scribble tells a tale. One note appeared recently with a lengthy quotation from Mao Tse-tung. Many just bear a name, address and/or telephone numbers.

But how must Paolo on 0577 948332 feel about a call from a stranger who found number in the small change?

Dealing with soiled L1,000 notes has become a headache for the Bank of Italy, which is responsible for printing and distributing the country's paper currency.

Like many of its European counterparts, its officials take pride in the quality of the currency. But while German banknotes are crisp and clean, – they are made from a particularly rich mix of cotton – even new valuable Italian banknotes feel cheap.

Scribbling on Italy's currency is "a nasty habit that has developed in recent years," admits the central bank. It blames the state of the L1,000 bill largely on the fact that so few flow back to its coffers, for sorting and replacement.

As matters stand, the average L1,000 note has an official life expectancy of just over three and a half years. But it is probably much longer. The reason that so few of the 829m L1,000 notes in circulation are replaced seems to be that many commercial banks are reluctant to incur the cost and effort of counting and shipping off soiled examples to the central bank.

Thus, many notes are probably in circulation far longer than the official figures suggest. Often the sticking tape holding them together has long overtaken paper as their main fabric. The Bank would love to change matters, but is sceptical about practicalities.

There is a draft Bill to introduce a L1,000 coin. But, like that other chestnut, the "heavy lira" which would eliminate those three zeros at a stroke, the politicians have yet to take the final decision. Even the new coin would not replace the L1,000 note, but merely co-exist with it. In the end, aware that it is fighting a losing battle, the Bank may eventually decide to print no more L1,000 bills. They will simply fade away.

Sadly, the central bank does not keep a log of the stranger messages found, though some officials are thought to have their personal favourites. If it did, they would certainly warrant a special corner in the new money musuem it is thinking of building.

There, some of the more entertaining messages could be preserved while time and further fingering take their toll on the rest.

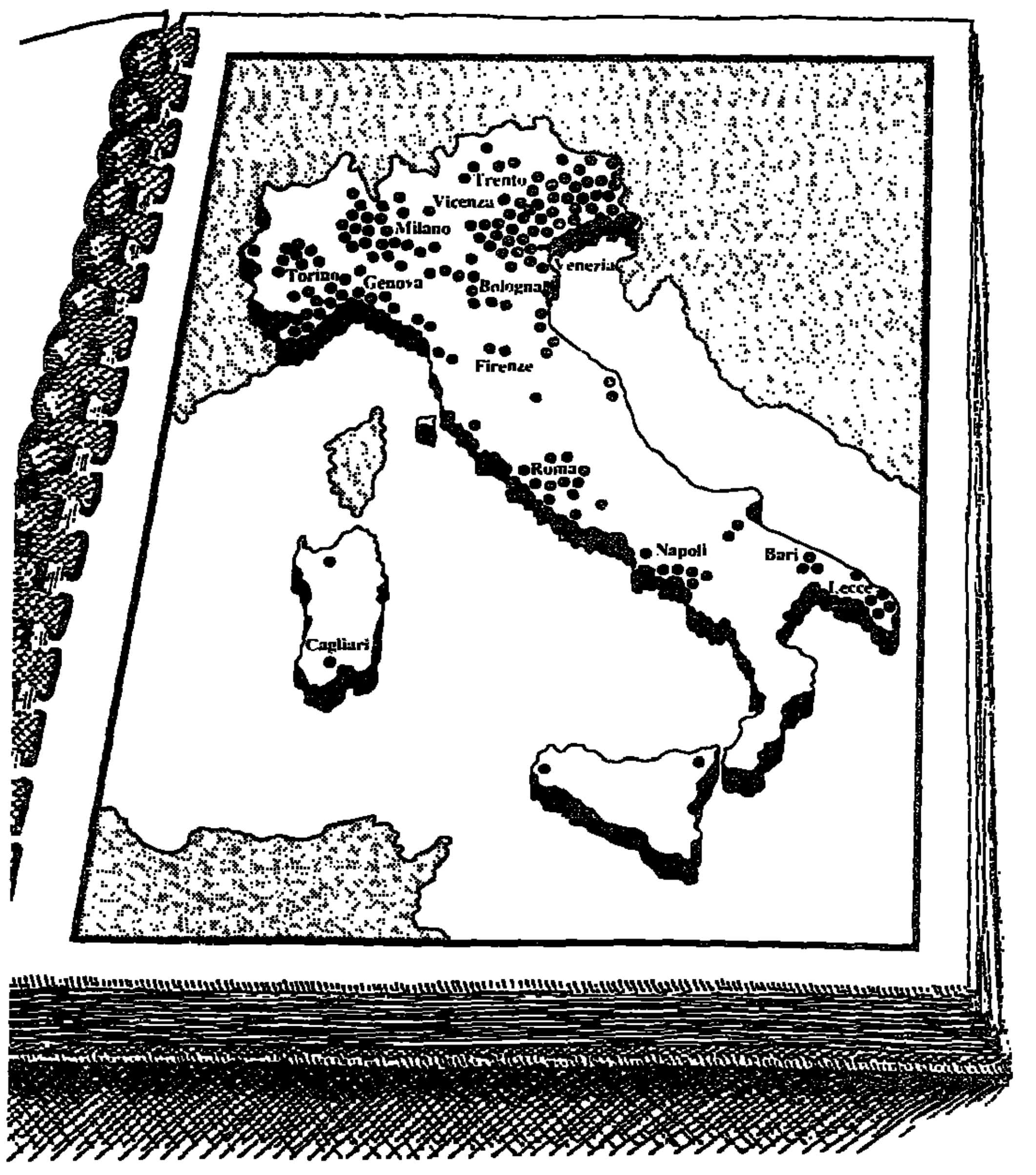
Are all Italians poets?

Consider this:
"Se il buio verra la luce dei tuoi occhi illuminera la mia strada. Se la morte verra il mio cuore vivra per sempre con te." ("If it becomes dark, the light of your eyes will illuminate my path. If I die, my heart will live for ever with you"
– anonymous quotation from L1000 note, serial number 409543-D.

More than ever

THE BANK THAT'S "ON THE SPOT" IN ITALY'S TOP LOCATIONS

Banco Ambrosiano Veneto was formed in December 1989 by the merger of two important Italian banks Nuovo Banco Ambrosiano and Banca Cattolica del Veneto.



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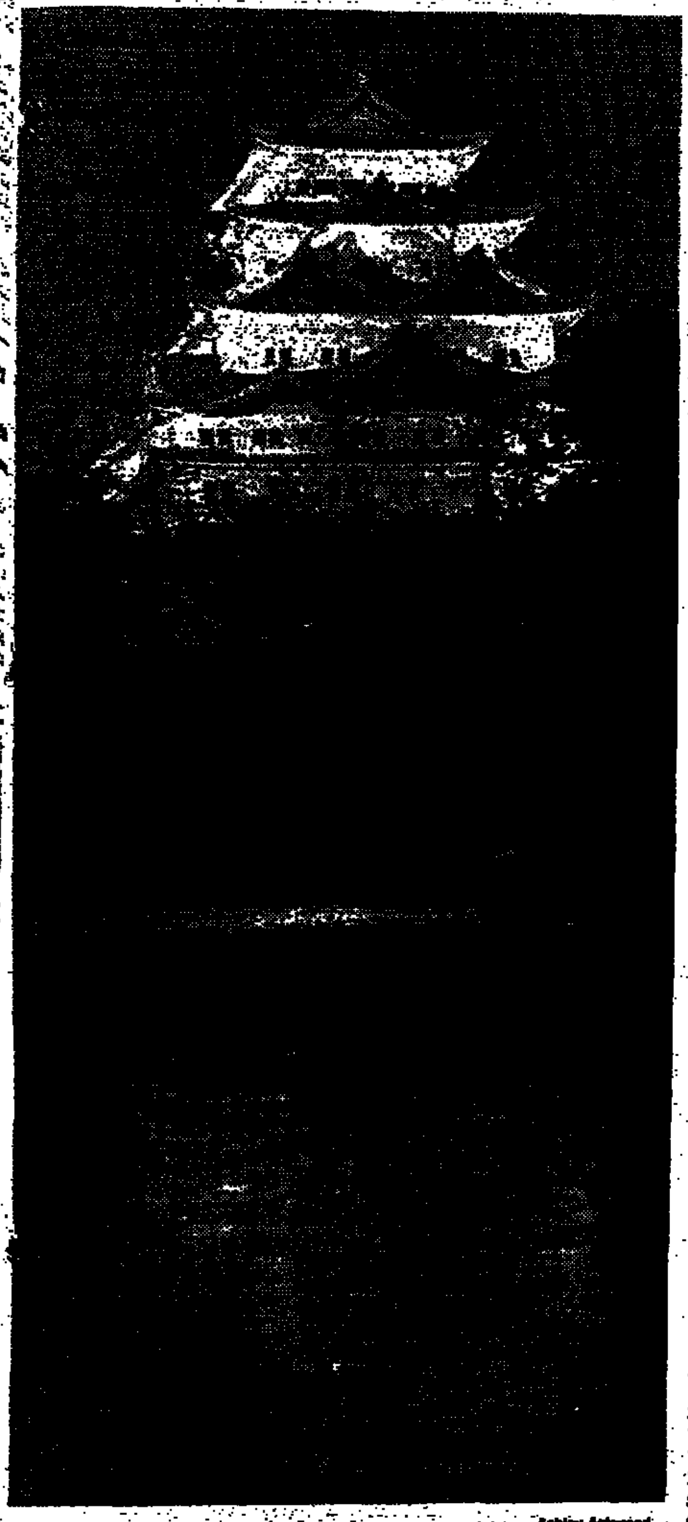
CHUBU

Too many jobs for too few workers, Page 2; Designs on a lively image, Page 4

A material metropolis rises, Page 5; Traditional crafts tested, Page 6



Nagoya castle: symbol of the traditional order

While the people of Middle Japan appear to enjoy a cosy existence, the strong economy is putting a strain on the traditional social order. Robert Thomson reports on Chubu's battle to retain its identity and the ambition of leaders to build an even more influential region

In search of superlatives

THERE is a certain, *softly-worded* confidence among residents in the five prefectures that stretch across the girth of Japan's main island, Honshu, and are collectively known as Chubu – it is a confidence that they are the real Japanese, and that this is Middle Japan.

Middle Japan makes Toyota cars, generally votes conservative, and has fashioned traditional pottery into high-tech ceramics. It grows the Japanese mandarins known as *mikan*, has the highest savings rate in the country, and is struggling to find enough labourers to work its order-filled factories.

The shops close early and the two-car, one-child family is an institution, and yet amid this comfortable, reassuring landscape of apparent contentment, there is something a little strange; a hungry, driving ambition reflected in the recurring dream of being surrounded by superlatives.

Chubu wants the world's fastest train, the world's most modern airport, the world's most advanced aerospace industry, and the world's most sophisticated *technology*. It craves international recognition as a design centre and as a fertile source of research and *development discoveries, and it* wants to be the obvious choice for your next convention.

Perhaps the motivation comes from a fear of being trapped in the spreading shadow of high-rise Tokyo. Perhaps it is the feeling that a tough agenda is needed to impose a discipline on young Japanese, who are perceived as too flabby to maintain a relentless pace of development set when Japan contemplated its war-end ruins.

The five prefectures, Aichi, Gifu, Mie, Shizuoka, and Nagano, place differing stress on the Chubu identity. The first three, with Nagoya, Japan's third largest city, at their centre, are the core of Chubu, while Shizuoka and Nagano are divided between a traditional loyalty to the region and a desire to take advantage of their proximity to Tokyo.

It is only an hour by *shinkansen*, the bullet train, from Shizuoka City to Tokyo, and the daily commuters once profiled as oddities by the Japanese media are now accepted as normal. Nagano tends to *have a mind of its own and is* at present consumed by the ambition of hosting the 1998 Winter Olympics. And several cities, particularly Nagoya, would like to replace Tokyo as the national capital.

Even if the five rarely think as one, the combined statistics are impressive. The 16.2m inhabitants comprise 13.2 per cent of the national population, and occupy 11.4 per cent of the *territory, while accounting for* 18.2 per cent of industrial production and 21.8 per cent of shipped products. Aichi alone accounts for 9 per cent of industrial production and 11 per cent of shipped products.

Local leaders are concerned that the percentages are falling, and that unless a couple of strategic battles are won, the region will lose its identity and become *a virtual subsidiary* of the megapolis of Tokyo. For one, local officials are arguing for the Chubu International Airport to be built on an artificial island, and are against *plans for a third international* airport in the Tokyo area.

"How can you build a third international airport in Tokyo," asks Dr Tatsuo Ito, Professor of Geography at Mie *University, an expert in local* history, and a representative on the planning panel of Chubu airport: "A third airport will force more people to use Tokyo and will draw people from regional *areas*."

Regional leaders have set 2005 as the target for a grand 15-year infrastructure development plan that will culminate with an international exposition intended to set new standards not only for Chubu but for humanity in general. The problem is that the plan, sometimes described as "Vision 21", could be derailed if Tokyo-based bureaucrats decline to fund a Chubu airport.

There are more immediate concerns. Strong consumer demand and a surge in capital investment last year have stimulated a regional economy that provides almost 30 per cent of the nation's machine tool needs, and produces about half of the nation's automobiles. The problem is that the economy has probably been over-stimulated, with the new jobs to applicants ratio around Nagoya at 2.3:1, well above the national average of 1.32:1.

The famous names, Toyota, Yamaha, Brother, NKK and NGK, generally have a steady stream of willing, new employees, but the smaller factories of the sub-contractors are less popular among young people who can afford to be picky. The competition for new staff and the trend of job-swapping have produced significant changes in attitudes to employee needs.

Companies are reluctant to attract workers simply by offering better pay than the factory down the road, fearing that this approach could set a destructive wage spiral in *motion. Instead, employee dor*mitories have been renovated, machines made more user-friendly and the production line has become less intimidating. Now, companies talk *about making nearby* towns more interesting by somehow improving the nightlife.

At NKK, the steelmaker and shipbuilder, managers have decided to employ more *women designers and crane* drivers because their presence improves the atmosphere and encourages young men to work at the company. A group of

Nagoya would like to replace Tokyo as the national capital

local shipbuilders formed *a* committee to discuss the labour shortage and devised the "Young Man Project", giving industrial engineers a new role as social engineers.

The aims are: "to ensure employees' treatment as a human being"; "to broaden their relationship with the local community and the world economy"; and "to provide enjoyment in their work". Companies are debating the use of foreign workers to fill the gaps and are encouraging the government to increase the quota of foreign trainees, which has already been expanded from this year's 28,000 to 50,000 next year.

Local officials hope that a low birthrate will keep youth in the area, to fulfil their obligations to ageing parents, though there are fears that the bright lights of Tokyo have blinded some young people to these responsibilities.

Outside events, a Gulf war and another surge in oil prices, could slow the regional economy and ease the labour shortage, but with national GDP growth expected to be close to 6 per cent this year, and estimates of 4 per cent next year still popular, companies in Chubu are likely to remain under pressure.

Higher interest rates have begun to slow capital spending, with companies such as Sintokogio, the world's largest maker of casting machines, reporting that a few orders have been delayed by customers expecting slower growth. *Given that interest rates have* doubled to more than 8 per cent in the past year and that the Tokyo stock market has been down by 40 per cent, the apparent absence of financial *pain in Chubu is surprising.*

Mr Ryuichi Kato, chairman of Tokai Bank, and the financial figurehead of the region, said that local companies have been protected from severe *damage by a tradition of fiscal* conservatism. He explains that they are reluctant to borrow, and have not played the stock market with the same enthusiasm as non-financial compa*nies in Tokyo and Osaka.*

"You can't really say that the financial world and the industrial economy are separate, but the reluctance to borrow and wariness of sudden expansion mean that companies don't take full advantage of a boom, and that they are not so hurt by a downturn," Mr Kato said.

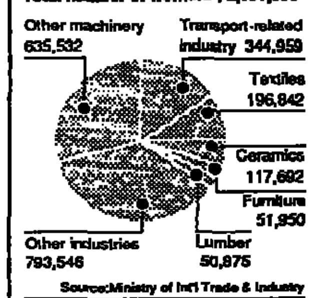
This steadiness is seen as characteristic of companies such as the Meitetsu railway and retail group, Chubu Electric Power, and the Matsuzakaya department store chain, which, along with Tokai Bank, are the old members of the Chubu corporate club that later arrivals, such as Toyota, found difficult to penetrate.

Inter-regional and international competition has eroded the Chubu clubbiness, and the quirky Mr Kato, a strong advocate of decentralisation, wants those companies unable to afford the expense of Tokyo land rental to relocate in Nagoya. But Nagoya-based companies admit that they need a strong presence in the capital to monitor the swiftly-changing market trends that trickle down to regional Japan and, increasingly, influence foreign markets.

IN THIS SURVEY

Distribution of workers in manufacturing (1988)

Total number of workers: 2,191,396



Source: Ministry of Int'l Trade & Industry

Average exchange rates for 1990: £ = Y257.75, $ = Y147.38

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*Fortune Magazine, July 1990.

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REGIONAL ECONOMY

Too many jobs for too few workers

IN A corner of the vast Tsu shipyard of NKK Corporation, there is a large hole in the ground. The hole is described as a "marine dock", and was intended as a site for the construction of offshore rigs, but an acute labour shortage has meant that the space remains empty.

NKK officials explain that they would have difficulty finding the 200 workers needed to build a rig, and given that the shipbuilding business is flourishing, with the order books full until mid-1993, there is no immediate need to fill the hole.

Having been through a shipbuilding depression and a restructuring of the industry, NKK is content to handle a steady flow of orders and keen to avoid sudden surges or slumps in business. The company is also determined to secure its future by building a stronger core workforce and reducing the reliance on contract workers, who now comprise half of Tsu's 2,000 employees.

It is a measure of the strength of the regional economy that NKK, the restructuring over, plans to employ new labourers next year for the first time in nine years, but is unsure whether the personnel will be available. Mr Fuminori Kamiyama, manager of NKK's business division, explained that the company is grappling with "the problem of how to make a shipyard attractive to young people".

The jobs to applicants ratio in the area is 2.3:1, well above the national average of 1.3:1. But the contradiction for a region renowned for its industrial might is that a strong economy has meant that local youth unenthusiastic about factory work have a range of job offers elsewhere.

Finding workers is easier for a highly-regarded company such as NKK than for the 100 smaller Chubu shipbuilders who employ fewer than 20 workers and who have combined to launch what they call "the young man project". The aim is to attract workers who have left smaller towns to work in the larger car plants, but who have become frustrated by the production-line life.

With the large presence of auto makers such as Toyota, Honda, Mitsubishi and Suzuki, transportation equipment accounts for 27.7 per cent by value of products shipped from Chubu. Electrical appliances account for 11.8 per cent, general machinery 9.1 per cent, and chemicals and foods each 6 per cent.

About 16 per cent of industrial employees in the region work in the manufacture of transportation equipment, 14.4 per cent in the electric appliance industry and 11.3 per cent in general machinery plants. While Chubu accounts for 13.2 per cent of the Japanese population, the region employs 17.1 per cent of the secondary industry workers, and industrial production accounts for 17.9 per cent of the national total.

The company is determined to secure its future by building a stronger core workforce and reducing the reliance on contract workers

There has been concern in Tokyo that high interest rates, the stock slump, and rising oil prices would force a revision of ambitious corporate capital spending programmes. Mr Takeshi Yano, the managing director of Sintokogio, the Nagoya-based company that is the world's largest maker of casting machines, said signs are emerging of a slowdown.

"We expect that higher interest rates and oil prices will slow the economy. When we supply a plant, the delivery time is usually a year, and some customers have begun postponing delivery schedules. People are becoming more cautious, although the auto industry is still strong," Mr Yano said.

CHUBU REGION ECONOMIC SUMMARY

	Unit	National total	Chubu region total	% of national total
Area	km²	377,688	42,871	11.4
Population	000	122,335	16,180	13.2
Employment population		60,502	8,484	14.0
Total production	Y100m	3,322,357	469,309	14.1
Primary industry		89,918	10,433	11.6
Secondary industry		1,202,204	218,947	18.2
Tertiary industry		2,158,338	257,553	11.9
Per capita income	Y000	2,238	2,178	97.3
Agricultural production	Y100m	105,619	12,864	12.2
Shipped products		2,535,153	551,773	21.8
Wholesale results		4,462,892	629,668	14.1
Retail sales		1,148,289	155,041	13.5

Sources: Survey of all Cities, Towns and Villages 1988; Survey of Regional Economy

With a policy of avoiding "zaitech," the financial engineering favoured by Japanese companies, Sintokogio has been generally unharmed by the stock market slump, though Mr Yano showed a hint of regret that the company did not take more advantage of its financial position a few years ago.

"We took a policy decision on zaitech about eight years ago, and decided that it was in the best interests of the company not to try. Maybe our position would be more comfortable if we had done zaitech, but we can't really tell if our decision was right or wrong," Mr Yano said.

Regional brokers report that many small firms have played the stock market, while Mr Takayo Kato, managing director of Aica Kogyo, the leading manufacturer of melamine boards and adhesives, said that "by other companies' standards, our share trading has not been large".

Aica reported gains of Y797m in trading of short-term portfolio investments, losses of Y20m in devaluation of securities holdings, and a pre-tax profit of Y4.2bn in the year to end March, when investments in securities totalled Y3.16bn, up 14.7 per cent.

"Our company is resolved that production will always be our main business, but we have this extra financial capability. We can fund activities like research with these gains, but we think it would be a sad thing if we had to cover losses with money from our normal production," Mr Kato said.

He is optimistic about the Nagoya and Chubu economies but suggests that local governments spend more on infrastructure. Nagoya is a convenient corporate base, he says, but the company has established 24 sales offices to ensure that national market information is quickly gathered.

"There is less competition in Nagoya than in Tokyo, and you might fall behind the market if you confine your activities to the Nagoya area. We send our employees to Tokyo as much as possible so that they can get a feel for what is going on," Mr Kato said.

The emphasis on industry, and, in Shizuoka prefecture, the physical spread of Tokyo's influence has meant that agriculture takes a lesser regional share of total production, 1.5 per cent, than the national average, 2.4 per cent. Still, Aichi prides itself in being the leading producer of chrysanthemums, cauliflowers, cabbage, and quail eggs.

Shizuoka had been the leading producer of mikan, Japanese mandarines, until 1965, but rising land prices, falling farm incomes and the opening of the citrus market to imports, has undermined local producers, according to Mr Noboru Tomita, general manager of the Shizuoka Citrus Growers' Co-operative. "Farmers can now only get rich by selling off their land. Some keep the land and build apartments or parking lots. The co-operative has 20,000 members, but only 4 or 5 per cent are full-time producers, with most taking semi-permanent jobs in factories or offices.

Robert Thomson

Robert Thomson reviews the financial sector

Complications compounded

Robert Thomson

Passing interest: a pedestrian stops to check stock prices in Nagoya

THE stock market volatility in Tokyo has complicated an already difficult problem for securities companies in central Japan – encouraging the region's fiscally conservative citizens to take money from their generally healthy bank accounts and convert the cash into securities.

A by-product of that instability, the difficulty of raising new capital on the market, has partly worked to the benefit of local banks, which have traditionally found that their best potential customers have an aversion to borrowing money.

Mr Ryuichi Kato, the chairman of Tokai Bank, the Nagoya-based bank that is Japan's seventh largest, said that the "culture of the region has been not to borrow money", meaning that companies have not taken full advantage of business success, but also that they have not been compromised by rising interest rates in the past year.

The rate increases have hurt banks, big and small, because two years ago they were offering fixed-interest loans over three and four years to cherished customers. Interest levels have risen from 4 per cent to more than 8 per cent in the meantime, and some of these loans are having to be renegotiated.

"Our policy on fixed interest depends on the customer. We have talked to some customers about longer contracts. There is a problem with time-lag, but it is not too serious a problem," Mr Kato said.

Like the Tokyo-based banks, regional banks adopting the capital adequacy standards of the Bank for International Settlements (BIS) have found that the target of an 8 per cent capital to assets ratio has been complicated by the 40 per cent share price fall on the Tokyo market this year.

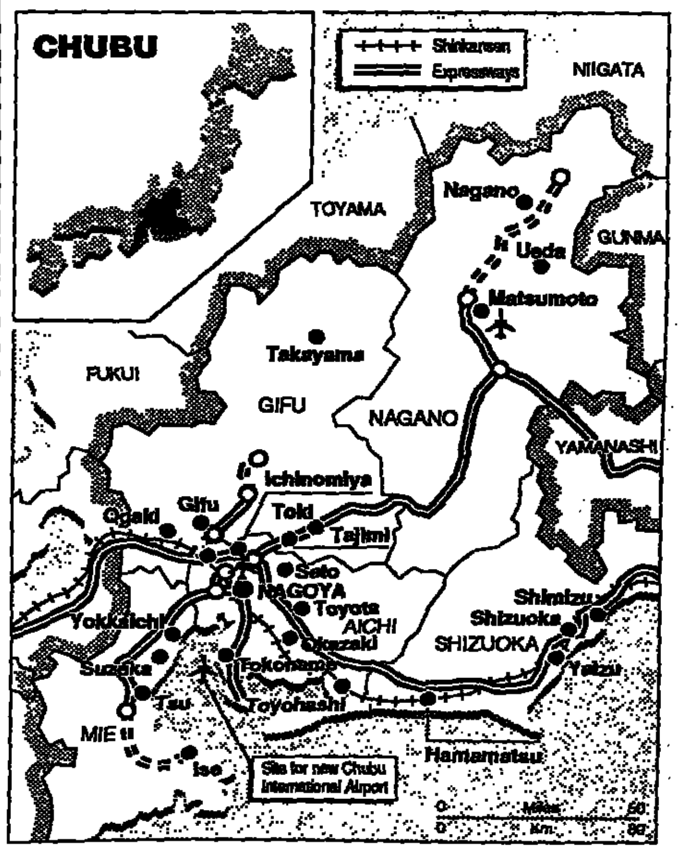
The discipline imposed by the BIS targets has led to suggestions that banks will offload low-yielding shares held as part of the complex system of cross-holdings that has provided shareholder security for Japanese companies. Mr Kato said the possibility of such sales has been discussed.

"The problem is now that the stock price is not rising as it was and, if we look at dividends, the return is very low. There is pressure to maximise profits, and we are explaining our position to companies," he said.

Tokai's friendly holdings of companies in the region are extensive, with, for example, the bank holding 4.9 per cent of Toyota Motor's shares and the auto maker holding 4.9 per cent of the bank's shares.

Mr Matsuyuki Aoyama, managing director of Aichi Bank, the 47th ranked of Japan's regional banks, said that his institution has chosen to follow the BIS standard, and, like other banks, has seen its capital adequacy ratio fall. In March 1989, the ratio was 13.1 per cent, in March this year, 10.76 per cent, and it was around 8.4 per cent in September. It is expected to rise to 9 per cent by the end of next March.

"We are not thinking about selling our stock holdings yet, but I can't say that it will not happen. We believe that there has been a change of thinking about stocks, but the stock holdings work both ways. Other types of companies have bank stocks," Mr Aoyama said.



Aichi Bank's securities holdings had a market value of Y470bn yen in March, and a book value of Y326.6bn, of which 33.2 per cent was corporate bonds, 25.1 per cent national bonds, 12.4 per cent in stocks, 8.1 per cent in local bonds, and 21.2 per cent in other securities.

Mr Aoyama said that larger regional companies, including Toyota, have a habit of building significant cash piles, but that these companies demand higher than usual interest on large sum deposits.

"We don't have any Toyota money in this bank. We don't necessarily want their money because they would demand high interest rates. Toyota affiliates put a lot of money in different banks. They don't feel they have to use the same one."

Apart from focusing on business that provides higher profits, the banks are restraining asset growth to bolster their capital to assets ratios and are hoping for help from a strong upturn in the stock market.

At Tokai, Mr Kato's concern is that the market has yet to bottom, and that the value of the bank's stock holdings will continue to fall: "Stock prices are very peculiar at the moment. It's difficult to know what the real value is. Even though they have gone down, I personally feel they are still too high."

That is not a sentiment shared by local securities companies, which hope that the worst is over, and that they can now convince individuals to increase their share holdings.

Monthly average purchases of securities by families in the prefectures of Mie, Aichi and Gifu are Y946, which compares to Y2,716 in Tokyo and Y3,376 in the Osaka area.

Mr Kogenji Ohashi, president of Nagoya-based Maruman Securities, is confident that "there are a lot of potential purchasers out there". Like other Japanese houses, the company has suffered because of low turnover levels, and the slowdown in new equity issues.

The Nagoya Stock Exchange, Japan's third largest, has been encouraged by investor interest in companies solely traded on the exchange among the 540 traded companies, most of which are listed in Tokyo. To distinguish the exchange from Osaka and Tokyo, an Option 25 index, a price-weighted average of 25 well-known stocks, has been traded since last October.

Robert Thomson

Ichiro Kawai: would like Nagoya to become a "boutique of derivatives"

Mr Ichiro Kawai, the exchange's president, would like Nagoya to become a "boutique of derivatives", experimenting with new forms of options and futures trading. He said that the exchange intends to put more effort into educating individual investors about futures and options, and will encourage cautious companies to raise more capital on the market.

The criteria for a new listing allows for companies in and around Nagoya to be accepted if they issue 4m shares or more, while companies from outside the region must issue at least 10m shares. A candidate company must have shareholder's equity of Y500m, and a pre-tax profit over the last three years of at least Y80m, Y100m, and Y120m respectively.

Foreign membership of the Tokyo exchange has been a sensitive issue, but Mr Kawai said that "we welcome foreign companies to come here". He said the only problem is a queue of Japanese companies wanting to join the exchange, which expanded its regular membership by six companies to 46. That, Mr Kawai says, was a "very rapid increase".

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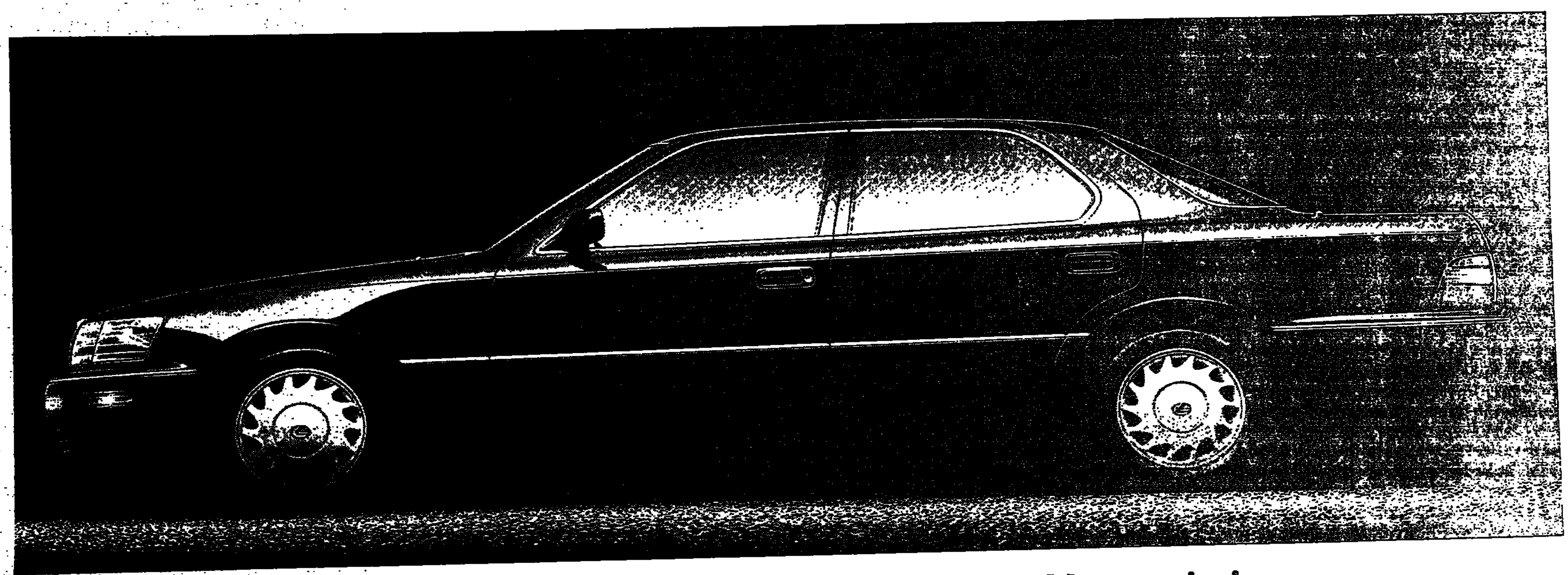
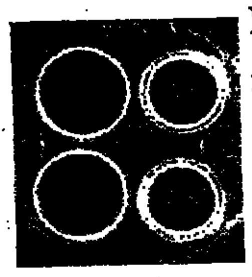
Owed to nature.



Lexus LS400 : High power, fuel efficiency and low emissions



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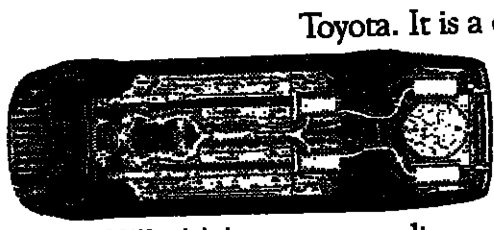

LS400 underbody

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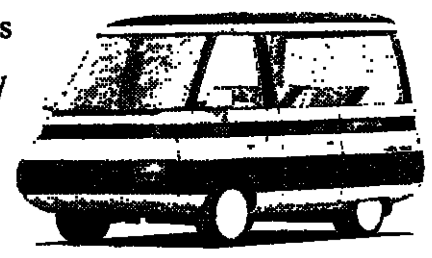

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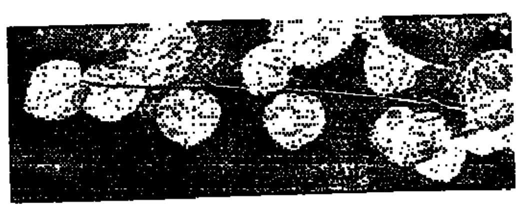

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REGIONAL POLITICS

Local harmony disrupted

Robert Thomson
Socialist Party bus: voters told the nation is watching you

POLITICIANS in Chubu's cities cannot see much point in politicking. Local branches prefer to chose city assembly leaders in turn, and only the Japan Communist Party bothers to compete against the collective candidate in mayoral elections.

But the local harmony was disrupted when national attention was turned to Aichi for a by-election earlier this month. Matters of regional concern, new freeways and the Chubu International Airport, were forgotten, and candidates pushed the more emotional issue of whether to despatch Japanese forces to the Persian Gulf.

Mr Toshiki Kaifu, whose own political base is in Aichi, made several visits to the area, as did other leaders of the ruling Liberal Democratic Party (LDP). Ms Takako Doi, the Japan Socialist Party (JSP) leader, spent the last four days of the campaign in Nagoya, addressing crowds at railway stations and helping her local candidate.

The LDP won the seat, but not without rupturing old and cosy relationships with rival parties in the region, which has traditionally voted in conservative candidates from the LDP and the Democratic Socialist Party (DSP).

Having been told that the "nation is watching you", local people registered their polling day concern over the proposed "peace co-operation corps" by abstaining – the voter turnout was only 38 per cent. Local politicians say they have to live with each other, and that the collective approach to decisions will return after a cooling-off period.

Conflict also arose between LDP national and prefectural officials who were worried that the central leadership's determination to establish the corps would damage the party's local image. Ten prefectural assembly members, concerned about re-election early next year, publicly suggested that their own party's proposed legislation was unconstitutional, while national officials accused them of undermining a crucial campaign.

Politicians in Chubu are often content with a place in the prefectural assembly, while city level politicians are not particularly conscious of a role in the greater party machine. In the Nagoya city assembly, parties are relaxed about local elections and tend not to indulge in bitter campaigns for fear that the spirit of co-operation will be compromised.

Mr Kohei Kuno, chairman of the Nagoya city assembly and a JSP member, said that the assembly's functions and funds are limited, and that a collective approach makes best use of these scarce resources.

"The parties here are rather harmonious. We don't have to discuss foreign policy or things like that. After the election we all get together and discuss what will happen next. The only disagreements are with the communists," Mr Kuno said.

"National politicians may criticise us, but they are often ignorant of how things work here. We all work together for the welfare of the citizens."

The LDP has the largest number of Nagoya assembly seats, 21, followed by the JSP 17, the DSP 15, Komeito (the Clean Government Party) with 13, and the Japan Communist Party, five. Even though the LDP is in the ascendancy, Mr Kuno could be given a second term as assembly chairman.

In the Nagoya city assembly, parties are relaxed about local elections

Politicians in the region complain that bribery and sex scandals in Tokyo last year have tarnished reputations in local politics. Those reputations have not been helped by a local vote-buying controversy in February, when police charged seven people after revelations that cash had been hidden in socks and herring roe.

The issue of "money politics" – the huge amounts needed to run even a small campaign and the sometimes undesirable sources of funding – remains unresolved in spite of pledges to introduce reforms. Local politicians have a vested interest in the outcome of the debate, as they complain that the cost of day-to-day politics is unduly expensive, with constituents expecting financial gifts at weddings and on other special occasions.

Mr Hiroshi Makita, the mayor of Gifu, said politicians in his city and prefecture have tried to remain distant from scandal, and that residents generally have a high opinion of their local members. His most pressing concern is Gifu's development as a convention centre, while he has an abiding hope that the city will be chosen as Japan's new capital.

"We have the perfect blend of nature and convenience here. We have rivers and mountains, and good convention facilities. We are encouraging people to build new hotels," Mr Makita said. On the question of why Gifu should be the capital of Japan, he says: "We are in the centre of the country, and we have enough land to do the necessary building."

Ise, in Mie prefecture, has lesser ambitions. Officials are content that the city is recognised as a centre of Shintoism, and known to Japanese as the "Garden of God". Its major political contribution comes each January 4, when the prime minister uses the city as a stage for an address that is supposed to set the national themes for the year.

As with other small cities, Ise co-operates with neighbouring town and regional officials in lobbying national parliamentarians and cultivating ties with the various "tribes" of politicians that determine policy on specific issues, such as transport or agriculture.

For example, Ise counts for support in Tokyo from Mr Takao Fujinami, the former Cabinet Secretary implicated in the Recruit bribery scandal, and who was re-elected in February to the national parliament. Mr Fujinami promised Ise residents a new bridge and expressways, and there was a perception among voters that he would have more influence in Tokyo than other, untainted opposition candidates.

Mr Mitsuo Mizutani, the mayor of Ise, when asked to describe his relationship with "central politicians", first thought of the Mie prefectural government rather than Mr Toshiki Kaifu and the central government in Tokyo.

"When there are projects that have national importance, Tokyo is generally helpful with funds, but for projects that we initiate, there can be difficult budget limits," said Mr Mizutani, 66, who had ambitions of becoming a journalist, but has been a government official since graduation, and mayor of Ise for six years.

Regional officials have difficulty blending the stated desire for the success of Chubu with the more parochial matter of civic pride. There is a sense in Gifu, Aichi and Mie, that Nagano and Shizuoka politicians are increasingly interested in tapping into the resources of greater Tokyo at the expense of cultivating a Chubu consciousness.

And even in Mie prefecture, there is a traditional divide in political and economic loyalties between Nagoya and Osaka. Ise people are said to look towards Osaka, as more tourists to the area come from that city, and the travelling time to both centres is about the same. Thirty minutes down the railway line at Tsu, the head is definitely turned towards Nagoya.

Robert Thomson

Robert Thomson visits Nagoya, a city in the heart of Japan

Designs on a lively image

THE citizens of Nagoya are painfully aware that Tokyo people travelling to Osaka have traditionally regarded their city as an unnecessary stop on the bullet train line and an appropriately drab centrepiece of Japan's industrial heartland.

Local people are supposed to be conservative and yen-conscious, and the city is renowned for early-closing shops, restaurants that are empty by 9pm, and a per capita savings rate that is the highest in the country. Still, the locals like to tell jokes about themselves.

It is said that you can easily tell a taxi-full of Nagoyans from Osakans and Tokyoites. The Tokyo people will all volunteer to pay the fare, the Osakans will divide the cost evenly, and the Nagoyans will look at each other, waiting for someone else to pay.

Mr Takeyoshi Nishio, Nagoya's mayor, tells how a typhoon devastated the city three decades ago, and the next morning banks prepared bundles of cash in the expectation that people would need money to begin rebuilding. Instead, residents brought in piles of wet banknotes that had been stored in their damaged homes.

But the mayor insists that Nagoya, population 2.2m, is changing, and other Japanese are coming to realise that the city's reputation is in need of renovation. For a start, the mayor has urged local business people to leave on their lights at night to give the impression of liveliness, and, more substantially, he has led a drive to develop Nagoya as a national centre of design.

Last year, the city hosted a design exposition that has had a lingering impact. Sculptures were planted on street corners, a greenery drive was launched, and in April the city announced that it would build the country's first underground park.

Business has become more image conscious, and residents talk of growing pride in the city, and boast of a comfortable lifestyle that cannot be matched in congested Tokyo and Osaka.

"My aim is to make Nagoya a pleasant place for the residents, and we want to attract people from other places. We have satisfied most of the basic needs, and we have a strong industrial base, but now we want to enrich each individual's life," Mr Nishio said.


Robert Thomson
Mayor Nishio: city's reputation in need of renovation

He suggests that the industrial base and a tradition of craftsmanship in textiles and pottery have provided a source for the development of a design industry, for which he has grand, sometimes abstract ambitions. By design, he says, the city means "the design of living".

"It could be a teacup or a space shuttle. We are establishing a design centre, and are interested in international design exhibition programmes.

Residents boast of a lifestyle that cannot be matched in Tokyo and Osaka

We have very steady people in Nagoya, and I chose design as a theme because I thought it would challenge their thinking."

Mr Nishi is a waterworks engineer, and claims no particular expertise in design, but the tempo of his conversation and of his hand movements quicken when he talks about technology design.

Reading books on new technology is a recreation that he hopes will provide useful information for the city's development – his present fascinations are the waste paper irony of the paperless office, and the use of sensors in the repair of heavy equipment that would otherwise be scrapped.

The design emphasis has made Mr Shinichi Yamamura, president of Cobo Design, a local identity. His is the only significant freelance design company in the area, with other design centres attached to large companies or tertiary institutes, and he argues that geography has destined Nagoya to be a design centre.

"Nagoya is in the centre of Japan's main island (Honshu), which means that it is in the very heart of the country. There is a confluence of ideas and industries here," Mr Yamamura said.

The city also has the afflictions of most other large cities in Japan – rising land prices and road systems unprepared for the domestic car-buying boom of the past two years. Nagoya now has traffic jams, and the railway network's effectiveness is limited by the lack of a line circling the city.

Land prices in the city rose by 22.9 per cent last year, down from the 50 per cent increases of earlier years, but still enough to push a first home further out of the reach of many citizens. City leaders had been proud that a reasonable home had been within the budget of the ordinary worker, but the higher prices are shepherding new home buyers into less convenient areas and smaller houses.

The central government has been debating the introduction of a 1 per cent land tax to stimulate supply by forcing underutilised real estate on to the market, but most Tokyo business leaders have criticised the idea.

Mr Ryuichi Kato, head of the Nagoya Chamber of Commerce and Industry and chairman of Tokai Bank, is generally in favour of the idea, and sees the criticism in the capital as another attempt by Tokyo-based companies to influence policy in their favour.

The bank has estimated that the new tax would cost it about Y6bn annually, about half of that on its Tokyo holdings. Mr Kato says that "we hardly have any land in Tokyo", which shows how distorted the land market has become.

He has suggested that Tokyo-based companies which cannot afford the tax should move to a place like Nagoya, easing the land price pressure in the capital and promoting a more even growth around the country.

Economic distortion created by the large and growing metropolis of Tokyo is a favourite theme of political and economic leaders in Nagoya. About 62 per cent of large corporations have their headquarters in greater Tokyo, which houses about 25 per cent of the population on four per cent of the land mass.

Nagoya officials had hoped that the decentralisation drive would lead their city to be chosen as the new capital, given its position between Tokyo and Osaka. But the 30-year long decentralisation debate has lost momentum in the past two years, as the ruling Liberal Democratic Party has been entangled in a series of political scandals.

Mr Toshiki Kaifu, the prime minister, whose home prefecture, Aichi, surrounds Nagoya, has not had the personal power to force Tokyo bureaucrats to design programmes that would lessen their own power. Under a National Land Agency directive, each ministry is supposed to have moved a division out of the capital last year, although most transfers appear to have been superficial.

Mr Kohei Kuno, head of the Nagoya assembly, said that "there is still talk about decentralisation", but local people have tired of waiting for the results. We have, he said, "cooled down our expectations".

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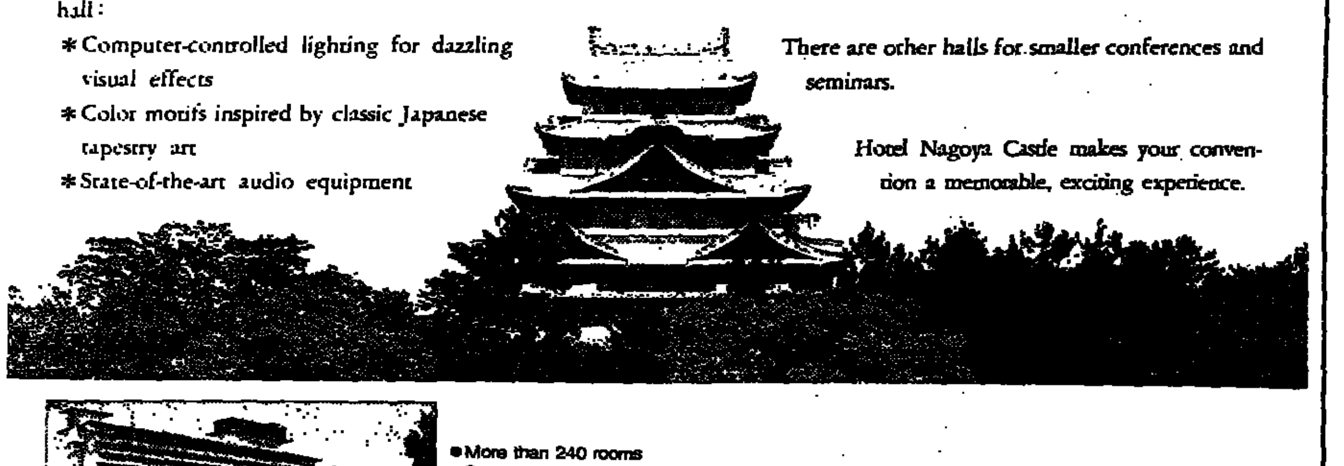

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Jane Fuller takes a drive round Toyota City

Where cars set the pace

A FEW weeks ago during the typhoon season, a storm of such severity blew up that Toyota Motor Corporation stopped production. So did its sub-contractors.

The localised web of production spun by Japan's largest auto maker (the world's second largest after General Motors) means that the city is synchronised with the company.

This was the case even before a change of name from Koromo to Toyota City in 1959. For by then the area once famous for its silk was already known as "the city of the automobile". The transformation took place via the Toyoda Automatic Loom Works (still part of the Toyota group), where an automobile department was established in 1933.

Rapid growth of vehicle production started around 1950, when the town's population was 32,000 and car output nearly 12,000. During the 1960s, the population quadrupled to nearly 200,000 and car production reached 1.6m. The cycle was established of the city running hard to keep up with the company.

Last year nearly 4m vehicles were produced and the city's population recently reached 328,000 – about three times that number have visited Toyota MC so far this year. Half of the company's 71,000 workforce lives in the city, where it has 12 factories, and for every Toyota worker there is estimated to be one in another company tied up with Toyota-based work.

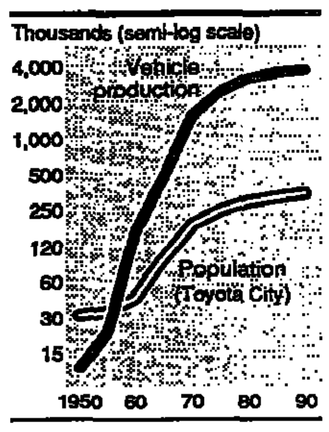
The just-in-time system, enabling a car to be made within three days of an order, exerts its pull through three tiers of suppliers. Mr Yasuo Sasaki, general manager of the public affairs division, said that Toyota dealt directly with about 250 companies. This primary layer typically had about 10 Toyota-orientated suppliers and each of these would use a handful more.

"It's my guess that the total number of companies involved is about 10,000. The reason there is so many is that a car has 30,000 parts, spanning a wide spectrum of industrial fields," he said.

There is, however, nothing diffuse about Toyota's influence on the city. Stories abound about the need to drive a Toyota car if you wish even to sniff at doing Toyota-related business. And while some blithe members of the younger generation have taken to driving Hondas, a man of that name felt the need to apologise for it.

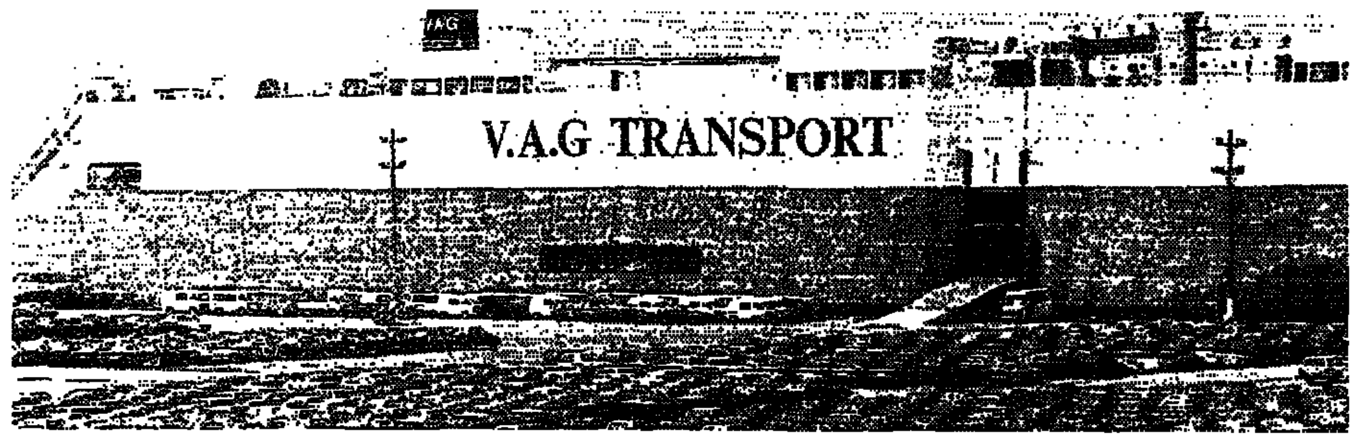
Toyota sets the pace in all sorts of ways. Pay day on the 25th of each month is the signal for a rush to the banks and shops. If Toyota's annual pay rise is 8 per cent, then other employers in the area will try to follow, "but it will usually be a little less," said Mr Masayuki Susuki, chief of bureau at the central area's chamber of commerce and industry which has 3,500 members.

While the prosperity bestowed by Toyota is welcomed by city officials, the pace of growth has created



some unusual strains. For example, after the young people who made up most of the 1960s influx got married and had children, there was a sudden surge in the need for schools. Between 1970 and 1980, the city council built 13 elementary schools and four junior high schools.

A more serious problem is traffic congestion on the often narrow old roads, aggravated by the synchronised rush hours and the populace's preference for going everywhere by car – mainly white ones of the three-boxes shape, in spite of the many permutations that can apparently be wrought by robots and workers.



Ashley Ashwood

Toyota vehicles awaiting shipment from Nagoya: last year total production reached nearly 4m

However, Mr Masaichi Kato, the mayor, is not complaining. Toyota City's industrial output of Y670bn is second only to that of Tokyo and Osaka. It easily outdoes the Y590bn of Nagoya, which has a population of about 2m.

His council's budget this year is Y100bn and growing at a rate of 10 per cent. With little public housing (2,000 units) and only 6 per cent of the population over 65, the biggest item of spending is public works, taking 40 per cent. Although the first call is for basic services, such as roads and drains, the opulence shows through in the spacious redesign of the city centre. (It was the only place I visited where I alighted from the train and was immediately impressed.)

But, like some of the UK's new towns, it becomes a ghost town at night. Mr Susuki said that people's priorities for spending were their cars and their homes.

The traffic-jam tedium is alleviated by 12-channel stereo systems and chats on the in-car phone. Within the next five years, drivers will probably have a navigation system whereby advice on how to avoid the queues will flash up on their in-car computer screen.

Although the assumption is that the workers are streaming away to comparatively comfortable homes (the average wage at Toyota is Y127,000 for a 40-hour week), civic leaders are concerned about the lack of nightlife.

The first solution advocated by the mayor was late-night shopping, that is beyond 6pm. Shoppers would then spill over into restaurants, bars and other places of entertainment.

The desire to ginger up the nightlife is lent urgency by the fear that young people will leave in search of a more exciting time in Tokyo. Already the area has a severe labour shortage with more than two vacancies for every job seeker. Even at Toyota, the ratio is only about one to one, according to Mr Sasaki. This was the main reason for the company's recent decision to break with its tradition of clustering plants around Toyota City and, instead, to build factories on Hokkaido and Kyushu.

Apart from the general shortage, manufacturers complain that young people are shying away from manufacturing jobs because of the "three Ks" – *kiken* (dangerous), *kitanai* (dirty) and *kitsui* (hard work).

Engineering graduates were being lured into financial services jobs in the city, said Mr Sasaki, and his colleague waved with some glee a Financial Times article about sharp profit falls at leading securities houses.

Mr Sasaki admitted that there was some conflict between coping with the labour shortage and the trend towards shorter working hours.

He stressed the increasing use of robotic arms to replace workers, particularly in the "three-K" jobs, and he explained a proposal to introduce a three-shift system. This would involve longer shifts, but a maximum of four a week. Overall, each worker's hours would be cut by more than 80 a year, taking the total down to about 2,000.

This might give them more time to participate in the company's numerous culture clubs and sports teams, or even to spend more time preparing entries for the "Idea Olympics".

TEXTILES

A material metropolis

THERE is one industry in Chubu that is peppered with English phrases. "Fancy products" is how one entrepreneur described the output of the woollen textile factories in Bishu, which is often likened to Yorkshire.

Straddling the boundary between Aichi and Gifu prefectures, the area produces two thirds of the country's Y350bn annual output of woollen cloth. It specialises in patterned material, hence the description "fancy products", although this seems a bit of an exaggeration for the subtle checks and shades destined to make up suits and separates.

Bishu is now promoting itself as "Texpolis", stressing both its comprehensive coverage of all the cloth-making processes and its "soft values" in terms of fabric quality and design.

Part of the area is called Bisai and its four towns – Ichinomiya, Bisai, Inasawa and Nakashima – are home to more than 3,000 of Japan's 10,500 woollen textile companies. The average width of the rolls produced is 150cm and their lengths total about 100m metres a year.

The yen's strength is one reason for the shrinking of woollen cloth exports

Mr Yasuetsu Imaeda, managing director of the Bisai Woollen Textile Guild, described 150 of the member organisations as "parent companies", not because they owned the others, but because they played a pivotal role in the cloth-making process, with the other 2,850 – often small family-run businesses – acting as suppliers and sub-contractors. For example, the larger companies, with sales of between Y5bn and Y10bn a year, buy in yarn from local spinners and contract out dyeing and finishing.

Mr Imaeda said that 70 per cent of guild members did all their business within Bisai. Once the wool was imported from Australia or New Zealand, every part of the cloth-making process could be carried out in the area.

Virtually all the cloth was sold to domestic manufacturers; exports were as low as 2 or 3 per cent. However, the trend towards clothes makers moving their factories to lower-cost countries, such as Korea, China and Hong Kong, meant that some of the product would be sent overseas for making up.

The strength of the yen has been an important reason for the shrinking of woollen cloth exports, and it has also helped imports. Mr Takashi Itoh, 79-year-old president of the Chugai Kunishima Corporation and also chairman of the Japan Worsted & Woollen Weavers' Association, said the main competitors were British and Italian companies. The trading arm of his group deals in Chugai's products and in imports.

He did not admit to any great concern about competition from imports. Wearing his political hat as chairman of a committee supporting Mr Toshiki Kaifu, the prime minister whose home is in Aichi, he said the government was "promoting imports". Duty on woollen cloth was much lower in Japan than in the US, he added.

Import competition was, however, intensifying the pressure to keep down costs, a task made more difficult by the labour shortage.

Although Mr Itoh insisted that no special measures were being taken to increase the pay of the average worker (indeed he expected next April's wage rise to be 5 per cent compared with this year's near 7 per cent), negotiations were going on with the unions to increase holidays and improve working conditions. The annual holiday entitlement varied from 112 days to 126 days, depending on length of service.

The Chugai manufacturing operation is Bisai's largest producer of menswear fabric and has annual sales of about Y8.5bn. It has already saved on labour costs by installing 103 "projectile" looms made by the Swiss company Sulzer. These are faster than the shuttle looms that still predominate in the Bisai area.

Of Chugai's 250 employees, only 160 are factory workers. The weaving process is highly automated, as is the warehouse, where a computer-controlled forklift machine operates between nine-storey bays. Each box has a three-co-ordinate address which determines where it goes.

The one part of the production process that remains labour-intensive is the sorting of yarn according to colour. Mr Tetsuo Ito, one of the directors and second son of the president, said equipment had been developed which could sort out black and white thread, but a robotic machine was needed that could recognise a gamut of colours and shades, and handle the reels accordingly.

Mr Ito, who studied textile technology at Leeds in the early 1970s, also explained the difficulty of deciding how much to invest in even faster looms – the next generation involved the yarn being borne along on air or water jets. The caveat was that the customers were seeking a diversity of product, often in small lots, and this did not suit the capabilities of mass-production machinery.

Although productivity was always important, the main emphasis was on adding value to the product. For example, demand for lightweight, very soft cloth had led to the surface fibres being made increasingly fine. The present guideline for diameter was 15 microns (millionths of a metre), said Mr Ito.

Another important way to gain competitive edge was through design. "Now even menswear has colourful fabric," said his father.

Chugai employs 30 designers and has invested in computer-aided equipment which enables the patterns to be displayed and manipulated on screen.

One of the latest designs is the "random blanket", a series of rectangles with many subtle variations in colour. Some examples follow the popular "ecology" theme, with rectangles in several shades of brown and green, or "earth colours" as the fashion publicity describes them.

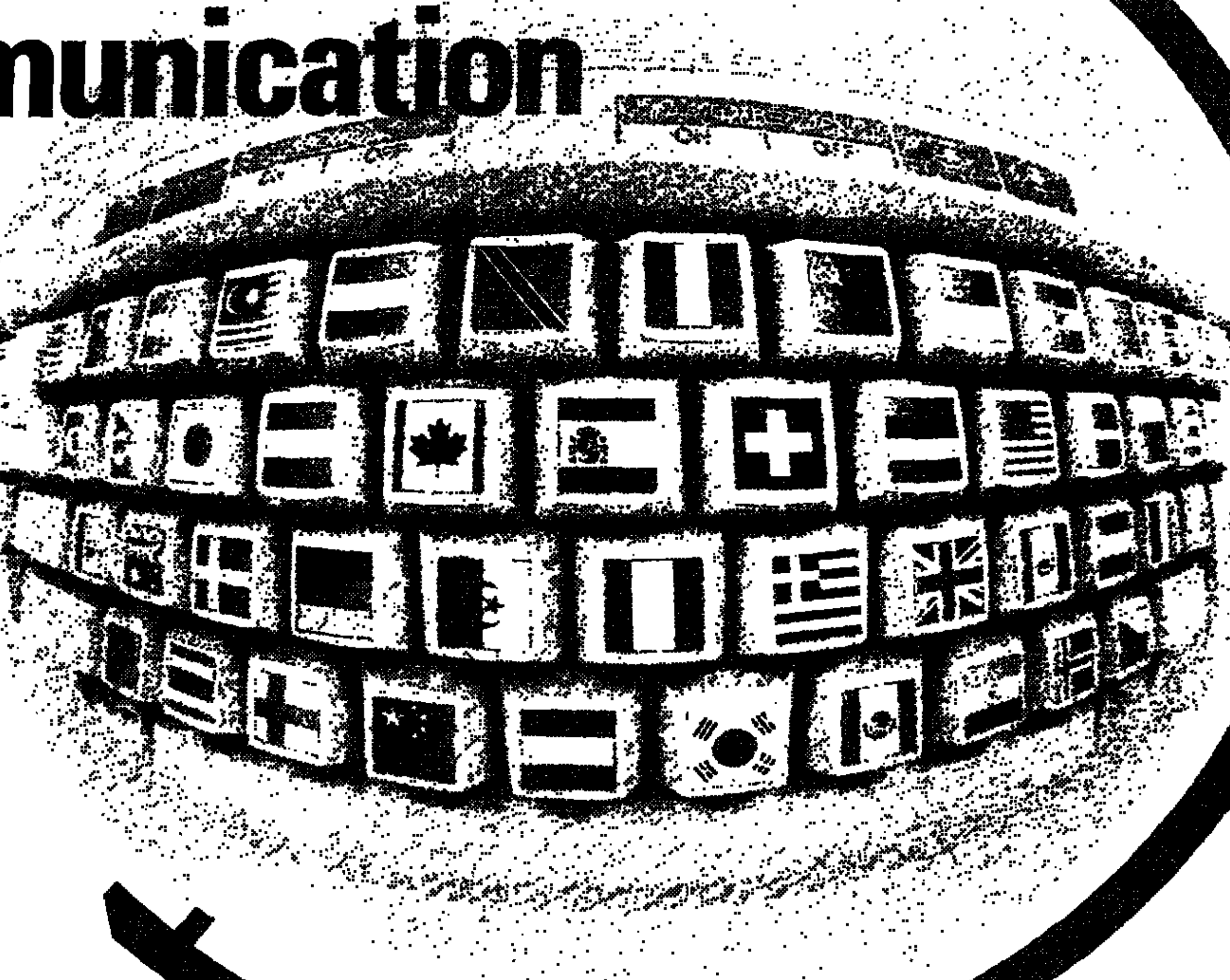
Information about fashion trends comes from the Ichinomiya Fashion Design Centre. This is on a large site, supported by the Aichi prefectural government, which includes a textile technology centre and a branch of the International Wool Secretariat.

Mr Isao Senda, executive director of the design centre, said Europe was the main source of information about fashion. Indications of the colours that would be required had to be provided 18 months ahead of the garments' appearance in the shops, for fabric the lead time was a year and for the clothes themselves, six months.

As well as publicising the "fashion message", the centre puts on a display of the themes, such as "earth wind" for the autumn-winter of 1991-92. Other facilities include computer-aided design equipment, a fabric library and an exhibition of cloth made in the area.

Jane Fuller

Keys to global communication



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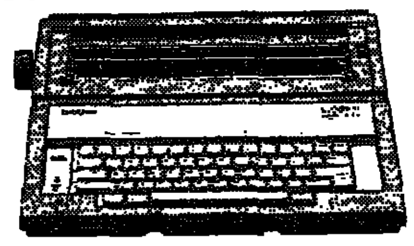

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Jane Fuller previews plans for 'centres of scientific excellence'

Powerhouse in the making

WHILE the prefecture of Gifu remains the home of such traditional crafts as metalworking born of the ancient Japanese sword industry, plans for a "research and academic city" at the southern end of the prefecture should help it to forge a rather more high-tech image.

Centrepiece of the government-backed project is the National Institute for Fusion Science, which it is estimated will cost Y100bn to build and equip. Work has started and is due to be completed in 1997.

Mr Masahiro Shimuzu, of the prefecture's planning and co-ordination division, said the need to research nuclear fusion, which has the potential to produce power without toxic waste, had been spurred on by worries about the safety of conventional nuclear (fission) power stations and about the long-term lack of uranium fuel.

One of the institute's main projects would involve the use of superconductivity to contain the plasma at the heart of the reaction, where the temperature would reach 100m deg C, comparable with the inside of the sun.

A miniature prototype of the helical coil (spiral) had already been developed, said Mr Shimuzu. The plan was to install a large-scale version, eight metres in diameter, allowing for one to 1.2 metres of plasma in the centre, held by a magnetic field with a strength of 40,000 gauss.

The fusion science institute, which will also provide facilities for experiments involving super-vacuums and ultra-high pressure, will draw together scientists at present attached to Nagoya, Kioto and Hiroshima universities. It is expected to have a complement of 300 scientists and administrators.

According to the plan, this establishment will lie at the heart of the Plasma Research Park, a 700-hectare site between Tajimi and Toki. At present, this hilly and wooded area is crossed by one road and just a few factories stand in one corner.

Among the other facilities planned is the Japan Ultra-High Temperature Materials Research Centre (Jutem). The materials to be studied include ceramic composites, carbon composites and inter-metallic compounds. One of the applications will be Japan's "space plane", which will need materials that can endure temperatures of more than 2,000 deg C.

Mr Koji Itoh, director of the Gifu centre (there will also be one in Yamaguchi prefecture), said the work would be supported by the Ministry for Trade and Industry through the New Energy and Industry Development Organisation. Local government was also involved, as were about 50 companies, including Mitsubishi Heavy Industries, Kawasaki Heavy Industries, Nissan and Toyota.

The research into materials suitable for space travel would feed ultimately into two spacecraft projects: one for an unmanned, reusuable vehicle to carry equipment back and forth between earth and a space station; the other for a passenger craft that could do the Tokyo-London trip in under five hours.

Also in Gifu, on a site north of the central motorway between Tokyo and Komaki, will be the Micro-Gravity Laboratory of Japan. Here a disused uranium mine is being converted into a 100-metre-deep facility for drop tests.

Mr Shimuzu said it would be used to simulate the weightless conditions of space. Experiments could include mixing materials that had proved difficult to combine in a normal environment. Like Jutem, although the organisation receives government funds, it is a private company and will seek income from various sources.

One of the hopes is that companies will hire out the facilities for their own work. "Even big companies have difficulty building their own facilities, partly because of the expense and partly because it would not be efficient to have only one user," he said.

Apart from providing facilities for basic research, Mr Shimuzu said the centres of scientific excellence would act as a magnet to attract private research laboratories, high-technology industry and international conferences. All these, including the hotels and roads to serve them, are included in the artist's impression of the site, which also emphasises the preservation of verdant surroundings.

So what has all this to do with local industry, which is still dominated by small- and medium-sized companies? The answer is very little directly, with the exception of the larger aerospace concerns.

The smaller entities are, however, already catered for by the prefecture, which funds 18 technical centres. The central part of this network is the industrial technology centre, near Gifu city, which disseminates information to smaller centres orientated towards local industry. For example, there is a woodwork centre in Takayama, in the northern area of Hida, and a ceramics centre in Tajimi, serving the Mino craftspeople.

The need to research nuclear fusion had been spurred on by the worries about the safety of conventional nuclear power stations

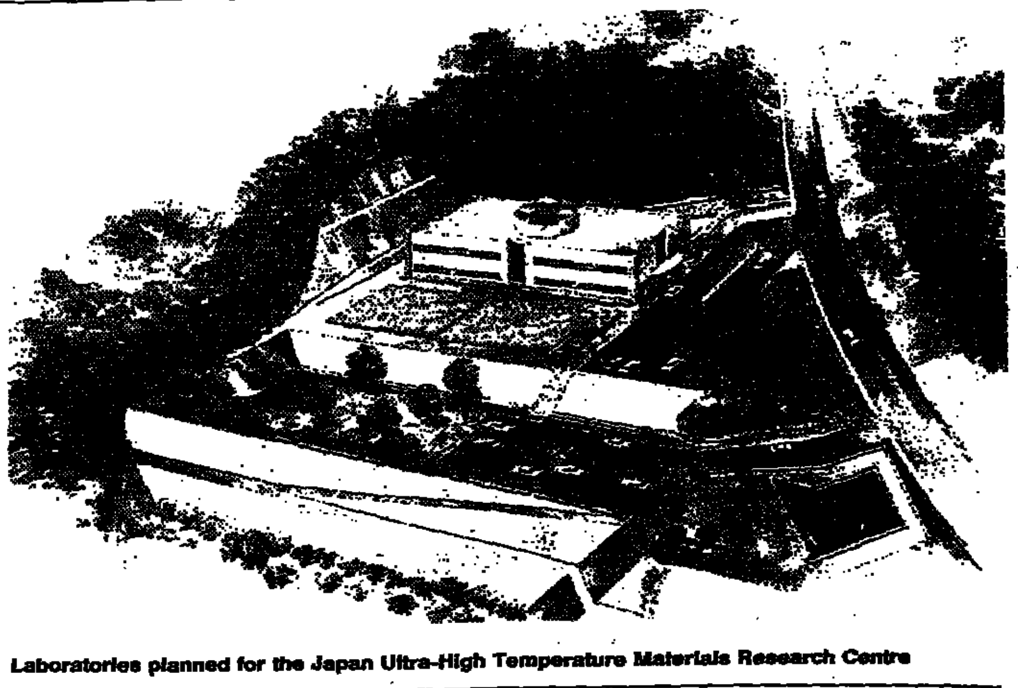
In 1987, the latest year for which a breakdown of figures was available, the industrial centre had a budget of Y340m and typical figures for the smaller centres were Y208m for ceramics and Y140m for textiles.

Mr Shimuzu said the academic city should bring various indirect benefits to the smaller concerns by helping to revitalise the local economy. One hope was that as the more ambitious existing companies diversified, for example into industrial ceramics, they would grow into direct users of the facilities.

A second was that the area would benefit from an influx of high-technology companies. New companies might also exploit developments spun off by the research projects.

An indirect benefit would be an increased demand for services, from hotels and shops to banking, which would help swell this so far stunted part of the local economy.

Finally, the combination of science park, more progressive companies and a bigger service sector would offer more opportunities for young people, helping to keep them in the area rather than flitting away to Tokyo, Nagoya or Osaka.



Laboratories planned for the Japan Ultra-High Temperature Materials Research Centre

PROFILE: Noritake

Export profits squeezed

Noritake's tableware is known throughout the world

MAKERS of Japanese-style tableware are swift to point out that they do not compete directly against imported goods, such as Wedgwood china from the UK.

However, for Noritake, Japan's leading maker of western-style tableware, this year's strengthing of the yen has meant both a squeeze on export profits and a helping hand for the importers.

Mr Kenjiro Shimuzu, deputy chief of general staff, said that over the past five years the proportion of tableware exported had declined from 60 to 40 per cent. This year, price increases had covered only 50 per cent of the ground lost through the strengthening of the yen against the dollar.

On the import front, goods from outside Japan, notably from the UK, accounted for about 30 per cent of the Japanese market for western-style chinaware, compared with 10 per cent in 1986. But the incursion had been offset by the market's growth, particularly in hotels and restaurants, and the European china had helped to create a market for more expensive items.

While tableware made Noritake's name early this century, last year it accounted for only 30 per cent of the company's Y96.5bn sales. Industrial products – abrasives and grinding tools – made 40 per cent, with the rest divided between electronics and industrial ceramics.

Although the industrial side was less dependent on exports, Mr Shimuzu said it did feel the indirect effects of cost constraints imposed by a strong currency. He recounted how Toyota Motor Corporation, a big customer for grinding machines, had asked for a price cut.

"They said they would show us how to cut costs. A team of about 20 engineers came over and pointed out areas of waste. Now we are trying to apply the same discipline elsewhere," he said.

After an abortive foray into automated plant designed for mass production, the factories in Kyushu and Tajimi combine machinery with handcraft to cope with diverse designs and small quantities. The company is planning to use robots and artificial intelligence systems to increase mechanisation without losing flexibility.

Setting up plants in lower cost countries is not high on the list of priorities. Noritake's three overseas plants, in Sri Lanka, the Philippines and the Republic of Ireland, all date back to the early 1970s. Although Mr Shimuzu did not rule out further transplants or acquisitions, he stressed the company's preference for making progress by agreement – for instance, it has reciprocal arrangements with Wedgwood.

The company's priorities for future growth are electronics and industrial ceramics

The company's priorities for future growth are electronics, which includes vacuum fluorescent displays and thick-film printed circuit substrates, and industrial ceramics (equipment and components), which has involved developing compounds using alumina and carbon fibre.

But factors inhibiting investment include this year's rise in interest rates and fall in the equity market. Noritake, which has covered investments over the past couple of years with the help of a $100m warrant bond, has cut its capital spending plans for the coming year.

Jane Fuller

CERAMICS

Traditional crafts tested

ONE OF the industries where Japan's labour shortage is most acutely felt is ceramics. Far from being drawn to the historic crafts carried out in the Mino and Seto areas, west of Nagoya, young people regard the industry as old-fashioned and suspect that working conditions are poor.

The result is that the workforce is ageing and a recruitment vacuum is seen as the latest threat to an industry still dominated by tiny family-run companies. These have survived in their hundreds, in spite of some contraction following the oil shock of the early 1970s and the blow to exports inflicted by the strengthening of the yen.

An important plank in the survival plan is to improve quality and design. The pottery artist Mr Sekizan Kawamura said: "The price of the work must be higher to absorb the high labour cost. I would like to see the traditional skills kept, but new value being added through creativity."

Like the neighbouring Seto craftspeople, he relies on local clay, sometimes digging it up on the nearby hillsides. However, while he can charge up to Y1m for his works, a few miles down the road, a more typical workshop is turning out Japanese tea cups and other hand-painted pots that retail at a few pounds each.

In the Rokubei Pottery, a middle-aged and elderly workers kneel at their tasks in cramped and dingy conditions. The president explains: "It is not worth automating at this level. We are aiming at the domestic market which wants hand-made things."

Mr Sueharu Nagae, director of Aichi's ceramics co-operative, said three quarters of his organisation's 748 members have no more than 10 employees. Of these, the ones like Rokubei appear to be in a comparatively strong position because of the growing domestic demand for tableware and the popularity of hand-made pieces in the traditional style.

Young people regard the industry as old-fashioned

On the other hand, the makers of "novelties" – ornaments depicting such scenes as butterflies on a bough – have done less well. In the 1960s, nearly 100 per cent of output was exported. Now the level is only 30 per cent, while domestic demand is limited.

Mr Nagae said technology offered some assistance through more economical baking techniques, but it remained difficult to automate ornamental work. The level of investment required was also a deterrent, as it was for diversification into industrial goods. Only about 14 per cent of Seto's ceramic output is for insulation.

Automation has, however, proved a productive route for the body makers who sell on their white, glazed products to companies with known labels, which apply their designs and carry out the final firing.

In Mino, renowned for porcelain, one of the companies producing Japanese-style tableware is Maebata China Corporation, based in Tajimi, which has annual sales of Y6.9bn. A leading supplier, Seiwa Ceramics, provides Maebata with 10,000 pieces a day. Mr Yoshiro Ito, the president, said the company had invested Y700m over 10 years in automating its cup and plate factories.

To fund the capital expenditure it had borrowed between Y100m and Y200m, the rest coming from its own resources. Seiwa's recent operating profit margin was 20 per cent on annual sales of Y2.3bn.

Mr Ito said he was not so much concerned to increase sales as to maximise profit, by adding value to each piece and being flexible in terms of meeting requirements for smaller lots and more varied patterns.

The biggest problem was recruitment to the 135-strong workforce. One solution had been to take on "middle-aged housewives" on shorter working hours. He said their typical pay was Y150,000 a month compared with about Y220,000 for an established factory worker. To attract employees, his company was increasing holiday entitlement. Last year it was a total of 79 days, this year 91 days and next year, 100 days. Smaller companies had greater recruitment problems because they paid less and often gave only Sundays off.

At Maebata, which has 241 workers and takes on 10 to 15 recruits each year, Mr Eiji Kokubu, general affairs manager, said offering more pay to newcomers was eroding differentials and risked complaints from older workers.

The labour shortage was causing far more concern than the strength of the yen. Although Maebata used to export 25 per cent of output, Mr Kokubu said it could maintain the current level of 15 per cent at Y125 to the dollar.

Mr Ito stressed the advantages of currency strength in terms of reducing energy and raw material costs. His company imports clay from New Zealand and Britain.

Jané Fuller

Crests of Achievement

Three men had an incredible impact on the formation of pre-modern Japanese history:
Oda Nobunaga, Toyotomi Hideyoshi and Tokugawa Ieyasu.
And it was Japan's Chubu Region
that produced these historical figures of exceptional calibre.

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A military genius known for his extraordinary foresight.
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Toyotomi Hideyoshi (1537 ~ 1598)
The son of a poor farming family,
Hideyoshi was a hero gifted with incredible insight and the ability to handle human beings.
It was Hideyoshi who succeeded in uniting all of Japan under his rule.

Tokugawa Ieyasu (1542 ~ 1616)
The first "shogun" or generalissimo of the Tokugawa Shogunate which ushered in a 265-year period of peace in Japan starting in 1603.
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